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THE NATIONAL DEBT

FINANCIALLY CONSIDERED.

TO

THIS ESSAY,

THE PRIZE OF

TWO HUNDRED GUINEAS,

WAS

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BY THE ADJUDICATORS APPOINTED

BY THE SOCIETY OF ARTS,

JULY, M.DCCC.LVIII.

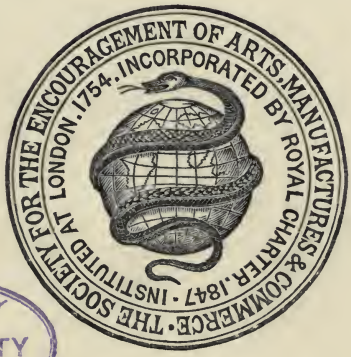
PRIZE ESSAY.—SOCIETY OF ARTS.

THE NATIONAL DEBT

FINANCIALLY CONSIDERED.

BY

EDWARD CAPPS.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GENERAL

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TO

HENRY JOHNSON, ESQ.,

THIS ESSAY,

THE RESULT OF HIS PATRIOTIC MUNIFICENCE,

IS

RESPECTFULLY DEDICATED

BY

THE AUTHOR.

99437

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PREFACE.

IN the early part of the year 1857, a public announcement was made by the Council of the Society of Arts, that a sum of Two Hundred Guineas had been placed in their hands for the purpose of promoting an investigation into the financial condition of the country — the desired investigation to take the form of an 'Essay on the present Financial Position of the Country, as affected by recent events, in which the principle of a Sinking Fund should be discussed, and also an investigation made as to the best mode of gradually liquidating the National Debt.' The competing Essays to be delivered to the Society of Arts on or before the 31st day of December in the same year.

The Essays having been sent in at the appointed time, were submitted to the investigation of the chosen adjudicators; who, in the month of July, 1858, gave their award, which was reported by the Journal of the Society of Arts, in the following terms: —

'Mr. J. T. Danson, Fellow of the Statistical Society, 'Mr. Charles Neate, Professor of Political Economy in the 'University of Oxford, and Mr. Jacob Waley, Professor 'of Political Economy in University College, London, the 'adjudicators appointed by the Council of the Society of 'Arts, have reported that they have unanimously selected 'the Essay marked 'E. C. S.' as deserving the award of 'the prize of Two Hundred Guineas, placed in the hands 'of the Council by Mr. Henry Johnson.'

As it was one of the conditions of the competition, that the author of the successful Essay should have the privilege of publishing it if he desired to do so, he begs now to submit it to the notice of the public; and, in doing so, deems it necessary to state that, not being a *litterateur* by profession, but a person regularly occupied during eight or nine hours of each

day in the ordinary avocations of commercial life in the City of London, he has had no other time for its composition than that afforded in detached and fragmentary portions before and after the regular business hours of each day. He is quite aware that this circumstance does not exempt him from the consequences of fair and candid criticism of the principles or philosophy of his Essay; but it may, perhaps, be accepted as some apology for any slight errors which may be detected in any of the statistics given; the various public statements of which cannot always be harmonised, without the devotion of much more time than it was in the power of the author to give.

With regard to the subject matter of the Essay, and, more especially with reference to the propositions for the liquidation of the National Debt, which the Author submits to public consideration — it may, at first sight, appear somewhat visionary to propose the *payment* of the Debt without calling for contributions from any quarter to effect that

object. But it must be remembered, that we already have all the separate elements which are essential to the production of the wealth which is needed for the redemption of the Debt, and that these elements merely require putting together to produce the desired result. Capital, labour, and land, with adequate protection of life and property, are all the elements that political economists recognise as being essential to the production of wealth to any extent; and of each of these we possess a surplus, which requires profitable employment, and which may find such employment in the very process of furnishing the fund for the liquidation of the Debt. It is not by any financial juggle that the Debt is to be got rid of, but by the employment of resources which we fortunately possess in abundance.

It may not be out of place if the Author notices it as a somewhat singular coincidence that, since this Essay was written and delivered to the adjudicators, the Government have taken some important steps in the very

direction pointed out and recommended in its remedial part. The actual abolition of the East India Company's rule over Hindostan, and the prospective and announced abolition of the monopoly of the Hudson's Bay Company over a great portion of the territory of North America, will remove some of the difficulties which stood in the way of the trial of the plan recommended. The very foundations of the empire on the shores of the Pacific, which the Author contemplated as a possible occurrence at some future time (see page 170) are, at this moment, being laid by the formation and establishment of the new colony of British Colombia, an expedition under Colonel Moody having just left our shores for the purpose of accomplishing the object. To open up to profitable colonization the magnificent country which lies between the eastern boundary of this new settlement and the western portions of Canada, would be an enterprise worthy of the abilities and the devotion of the most accomplished of our statesmen; and, if made subservient, at the

same time, to the redemption of the Debt, worth any amount of expense that it might entail.

Not the least gratifying feature connected with the colonisation of this portion of our empire is the discovery of the rich gold deposits with which it appears to abound. As long as the public mind is profoundly impressed with the conviction that money must, necessarily, be made of gold, so long is it of great importance that ample supplies should be forthcoming to carry on with facility the continually augmenting commerce to which successful colonisation gives birth; though whether such conviction is founded upon a correct idea of the real nature and proper functions of money, is, we think, open to the gravest doubts.

There is one branch of the financial condition of the country affected by the National Debt which, for want of sufficient time, the author was unable to touch upon; namely, that connected with our foreign trade. There does not appear to be any general agreement

among public men and public writers, as to the main point to be aimed at in the prosecution of our trade with foreign countries? Ought we to aim at an excess of exports, or an excess of imports? Has the trade which we have been carrying on with other nations for the last fifty years resulted, on the whole, in a fair exchange of equal values on the part of the respective trading parties? Has the marvellous change which has taken place, within that period, with respect to 'Official' and 'Declared' Values, been entirely brought about by the mere lapse of time, rendering the 'Official Scale of 1696' utterly inapplicable to values of the present day; or is the change to be attributed wholly, or in part, to the influence of our other fiscal and monetary arrangements? These are points which certainly ought to be examined in any work professing to treat of the general financial position of the Country; but it was quite impossible for the Author of this Essay to enter upon them with the very limited time at his disposal. Should the present little work,

however, be as favourably received by the public as by the eminent men who have given their unanimous award in its favour, the Author may be encouraged to embrace the first opportunity which occurs of submitting his thoughts on the above subjects to public consideration.

CONTENTS.

Part First.

THE STATISTICS, HISTORY, AND OPERATION OF THE NATIONAL DEBT.

Chapter I.

Introductory Chapter.

PAGE.
Introductory Remarks 1

Chapter II.

On the Origin of the National Debt.

1694. Bank of England 5
First Portion of the present National Debt 5
Litigation with Charles II. 6
Introduction of Loans 6
Sale of Annuities 7
Loans under William III. and Queen Anne 7
Low State of Public Credit 8
Sale of Exchequer Tallies 8
Permanent Debt 8
Grants of Perpetual Annuities 9

Chapter III.

Further History of the Debt to the Year 1797, *and the Money Value of that which was borrowed.*

PAGE.
George I. Reduction of the Debt 11
George II. 11
Improvident Mode of creating Funded Stock 12
Loans in a 3 per cent. Stock 13
1781. Resolutions of the Commons 14
Reckless Terms for a Loan of £12,000,000 15
Lottery Tickets 16
Author's discovery of this Mode of contracting Loans . 17
Dr. Price's Opinions 17
Loans of 1759 and 1762 18
Sir J. Sinclair's Account 18
Dr. Hamilton's Statement. 19
Reasons for 3 per cent. Loans 20
Comparative Advantages of 3 per cent. Loans 21
The Advantages of 3 per cent. Loans do not counterbalance their Injustice 22
Uncertainty of the Value borrowed in William III.'s Reign 23
Increase of Debt under Queen Anne 23
George I. and II. 24
Douceurs to Contractors 24
American War of 1776 24
Increase of Debt in 1776 and 1786 25
French Revolution 25
Average Rate at which the Loans were contracted from 1793 to 1816 26
Debt in 1793 27
Amount of artificial Increase, besides an Increase redeemed by the Sinking Fund 27

PAGE.
Debt paid and Debt created for every £100 money, from 1793 to 1816 28
Marshall's Account 29
Loan of 1816 29
Total Amount of artificial Enhancement of Debt . . . 29
Variation of Accounts 30
Statement of Debt in 1833 31
Items of Debt 32
Total Amount of Debt 33

Chapter IV.

What was the Value really borrowed by the State, in the Contracting of the National Debt, up to the Year 1816.

Increase of Debt 34
What is a 'Pound'? 35
Debt at Close of French war 35
Peel's Definition of a Pound 36
Bullionist Opinions 36
Peel's Definition unsatisfactory 36
And, in fact, not true 37
Payments by Tale of Silver Coin restricted 37
Variation of the Pound 37
General Thompson's Notice 38
General Thompson's View of a 'Pound" 39
General Thompson's Resolutions 39
What is Value? 42
The real Standard of Value 43
Corn the Standard of Value 43
Horner 43

PAGE.
Locke 43
John Taylor 43
Dr. Adam Smith 43
Gold and Silver no Standards of Value apart from the Price of Provisions 44
Proper characteristics of a Standard 45
Difference between a Standard and a Measure 45
Standard of English Measure 46
John Taylor's Essay on the Standard of Value 46
Real Amount of the Debt in Corn 47
Price of Wheat before 1793 47
Price from 1793 to 1816 47
Corn Value of the Debt 48
Real Value of Debt in 1797 48
The Fundholder of the last Century no cause to complain 49

Chapter V.

History of the Debt from 1816 *to* 1857.

Alterations in the Debt 51
Irish and English Exchequers 51
Raising Loan of £3,000,000 51
Redemption of Stock 52
Funding of Exchequer Bills 53
Bank of Ireland 53
Diminution of Debt 54
Reduction of Navy 5 per Cents. 54
Alteration of the Sinking Fund 54

PAGE.
Annuity proposed by Vansittart 55
Failure of Mr. Vansittart 56
The Dead Weight 56
The Emperor of Germany's Debt commuted 56
Reduction of 4 per Cents 57
Prosperity in 1824 57
Mr. Hume's Resolutions 58
Proposed Alteration of Sinking Fund 59
Funding Exchequer Bills 59
Reduction of New 4 per Cents. 59
Reduction of Old 4 per Cents. 59
Emancipation Grant 60
Funding of Exchequer Bills 60
Reduction of 3½ per Cents 61
Distress in Ireland 61
Mr. Gladstone's Plan 62
Loan for the Russian War in 1855 63
Provision for Redemption of Debt 64
Loans since 1855 65
Foreign Guarantees 65
Sardinian Loan 65
Debt for War against Russia 66

Chapter VI.

Change produced by the National Debt in the System of Taxation of the Country.

Ancient Taxes, direct 68
Change to indirect Taxation 68

PAGE.
Origin of the Excise Duties 69
Excise Duties in 1790 70
Comparison of direct and indirect Taxes 70
General Discontent with the Income Tax 71
The *Times* on the Income Tax 71
Antagonism of Taxation and Currency 72
Results of our Systems of Taxation and Currency . . . 73

Chapter VII.

The Antagonism produced by the National Debt between our Systems of Taxation and Currency.

Indirect Taxation 74
Influence of Taxes on Prices 74
Soap an Example 75
Producers *as Producers* should not pay Taxes, only as Consumers 76
Proper Effect of indirect Taxes practically lost sight of . 77

Chapter VIII.

Operation of the National Debt upon the Currency of the Kingdom.

Action of the Bank on the Currency 78
Exchequer Tallies 78
Goldsmiths' Notes 78
Our ancient Currency 79
Sir W. Davenant 79
Revolution of 1688 80
Conduct of the Bank 80

PAGE.
Contraction of the ancient Currency 81
Contraction of Currency between 1698 and 1714 . . . 82
Injurious Effects of undue Contraction 82
Depression of Prices 83
Lowering of Wages 84
Policy of the Bank 84
Remarks on our Foreign Trade 85

Chapter IX.

Two popular Fallacies respecting the Debt.

Popular Fallacies 86
Wealth of the Country 86
Effect of Mortgage exemplifying the Debt 87

Chapter X.

On the Sinking Fund.

Schemes to reduce the Debt 90
Plan proposed in 1716 90
History of the Sinking Fund 91
Ricardo on the Sinking Fund 93
Mr. Pitt's Sinking Fund 95
Mr. Fox's Amendment 97
Sinking Fund of 1792 97
Mr. Pitt's Explanations 98
Ricardo's History 98

PAGE.
Lord Sidmouth's Proposal in 1802 98
Change in 1807 99
Vansittart's Proposal in 1813 100
Vansittart's Resolutions 100
Lord Sidmouth's Arrangement rescinded 102
Sinking Fund up to 1823 102
Alteration in 1823 103
Alteration in 1829 103
Fallacy of supporting a Sinking Fund by borrowing . . 104
Causes of the Failure of the Sinking Fund 105
Dr. Hamilton's Views 105
Mr. Hume's Views 107
Mr. Hume's Resolutions 108
Proper Foundations of a Sinking Fund 109
Present Views of a Sinking Fund 109

Part Second.

THE PRESENT FINANCIAL CONDITION OF THE COUNTRY, AND SUGGESTIONS FOR IMPROVING IT.

Chapter I.

Comparison of our Present and Prospective Condition with that of Former Years.

Retrospective View of the Debt 115
Sir J. Sinclair's History 116
Extracts from Sinclair's History 116

PAGE.
Public Lamentations respecting the Debt 117
Lord Macaulay's Account of the Effect of the Debt on the Nation 118
Fallacy entertained as to the Debt 120
State Embarrassment not National Ruin 121
Impolicy of taking People from Productive Industry . . 121
Hindrances to Production the Road to Ruin 122
Our Wealth increases faster than our Debt 123
A more hopeful View 123
Wealth of the Kingdom 124
Gregory King's Estimate 124
Dr. Beeke and Sir W. Pulteney's Estimate 124
Colquhoun's Estimate 124
Conjectured Wealth of the Kingdom at the present Time 125
Wealth of the Kingdom 126
Mr. Porter's Estimate of Personalty 126
Mr. Porter's Statement respecting Real Property . . . 127
Colquhoun's Statement 127
Revenue of the Kingdom 128
Mr. W. R. Smee's Statement 128
Our Wealth still capable of Extension 129
Increase of National Wealth 129
Mitigation of the Burden of the Debt 129
Nature of our Increased Wealth 130
What the National Wealth consists of 131
Importance of Promoting the Increase of Wealth . . . 132
Evil Effects of the Panic of 1857 133
Reports of the Fall of Prices in 1857 134
The Philosophy of Production 135
Encyclopædia Britannica on the Production of National Wealth 135
Absurdity of the Cry of Over-production 136

PAGE.
Mr. Ricardo on Over-production 136
Soundness of Mr. Ricardo's Views 138
It is not Over-production that afflicts us 139
Nature of National Income 139
Average Income of Families 139
Distribution of Increased National Income 140
No Fear of the Industry of the Country, if allowed free Scope 141
Effect of the Gold Discoveries 142
Decline in the Exchangeable Value of Gold 143

Chapter II.

Plans heretofore suggested for the Liquidation of the National Debt.

Plans for the Liquidation of the Debt 144
Actual Payment of the Debt 145
Such Payment neither possible nor desirable 145
Transfer of a Portion of every Person's Property . . . 146
Such Transfer not practicable 147
Payment by Instalments 147
The new 3 per Cents cannot be redeemed at present . . 148
Payment of the Debt unfair to the present Generation, and more burdensome than paying the Interest . . . 149
Conversion of the Debt into Terminable Annuities . . 149
Universal Objection to Terminable Annuities 150
Redemption of the Debt by a Sinking Fund 151
Reduction of the Debt by Conversion into another Stock 152
Something else wanted 153

Chapter III.

Proposals for the Liquidation of the National Debt.

PAGE.
Various Modes may be simultaneously employed . . . 154
Our Money System should be reformed 155
Payment of the Debt by Property not at all probable . 156
Diminishing Annuities as well as Terminable 157
Such Annuitants to have proper Compensation 158
Plan proposed 158
Land in its present State valueless 161
Desirable Results 162
Main Points that we have to consider 164
Abundance of Capital to carry out the Plan 165
Suitable Colonies for the Plan 165
Hudson's Bay Company's Territory 166
Sir Alexander Mackenzie 166
Mr. Montgomery Martin 166
Commissioner of Crown Lands 167
Saskatchewan District 167
Sir J. Franklin 168
Sir George Simpson 169
America uses her Lands to pay her Debts 170
The separate States cede their Rights to the Federal Government 171
Government Survey 172
Townships 172
Sales by Auction 173
Sales at the Land Offices 173
Construction of Roads, etc. 173
Debt paid off 174
We surely can do what America has done 174

PAGE.
India a suitable Field 175
Effect on Slavery 175
The End to be attained worthy of Effort 176
Postscript, with the President's Message 177
Rumour respecting the East India Company 179

Chapter IV.

Summary.

Conclusions arrived at 181

Chapter V.

Concluding Remarks.

Our present State a hopeful one 185
Expiration of Long Annuities 183
Cessation of 'Dead Weight Annuity' 186
Unsatisfactory State of our Money System 186
Any Distress we at times experience must arise from artificial Causes 187

PART I.

THE

STATISTICS, HISTORY, AND OPERATION OF THE NATIONAL DEBT.

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THE

NATIONAL DEBT FINANCIALLY CONSIDERED.

CHAPTER I.

INTRODUCTORY REMARKS.

THE express and contemplated purpose of this Essay being that of a thorough examination of the general financial condition of the kingdom, with a view to its practical improvement, it would not, we presume, at all accomplish the ends for which it was projected, if it were confined to a mere history or recital of the past and present income and expenditure of the country, and its present debts and liabilities. To be of practical service, it must have a much wider scope, a more comprehensive range. Where erroneous principles of finance have been acted upon, they must be pointed out, and their evil results laid bare, that a repetition of them may be guarded against. If, in any quarter, or by any possible mode of procedure, a greater amount of prosperity may be attained, than is at present enjoyed, the possibility and mode of such attainment

CHAP. I. Introductory Remarks.

should be clearly stated. In this investigation, the National Debt will necessarily form the most prominent subject of enquiry; for to it is the country indebted for all that is peculiar and extraordinary in its financial condition. Were it not for this debt, the finances of this rich country would necessarily be in the most flourishing condition; and if, by any means, this debt can be gradually liquidated, very little enquiry need be made, or anxiety felt, respecting the ordinary annual obligations and disbursements of the country.

Seeing, then, that the National Debt exerts so important an influence upon the present financial welfare of the nation at large, we shall endeavour to give our readers a thorough comprehension of it in its financial, but not in its political aspect; by tracing its rise, history, and progress from the earliest period to the present day—by investigating the modes of contracting it, the endeavours to redeem it by the Sinking Fund, its influence upon our Taxation and Monetary Systems, and the modes suggested for its redemption. It is only by a careful examination of these points, at least, that we can arrive at anything like an adequate conception of the bearing of the National Debt upon the financial condition of the kingdom.

The opinions which have been formed respecting the nature of the influence which this debt has exerted, and still exerts, upon the welfare of the

country, have been of the most contradictory character. While one party has stigmatised it as the chief source of the misery which has afflicted the humbler, and clogged the operations of the wealthier classes, another party has lauded it, as the successful agent of distributing wealth, which, but for it, would have lain useless and unemployed. While one has considered it a deduction from the real wealth of the country, the country being, by just its amount, the poorer, the other has considered it as actually adding so much capital to the country, the country being, by its amount, just so much the richer. While one has denounced the debt as putting the country, in a great degree, in the power of the foreign proprietors of its public funds; another has hailed it as an additional security to the country, by making it the interest of the foreigner to promote its welfare and prosperity. As far as these conflicting opinions affect the financial aspect of the Debt, the author of this essay will endeavour to investigate them. As far as they are political in their bearing, he will endeavour to avoid them. One great and general point he will aim at, namely, to steer as clear as possible of the two extremes of making this essay, on the one hand, a mere repertory of statistics and facts without any principles for making an application of them; and, on the other, of presenting a mere abstract generalisation of principles, without corresponding facts and figures to test their truth.

CHAP. I.

Introductory Remarks.

The present is a highly favourable opportunity for the investigation of this subject; and it is to be hoped that all parties engaging in it will feel that a solemn and responsible duty rests upon them to rise superior to the mere dissemination of party and prejudiced views, and that, avoiding as much as possible foregone conclusions, they are bound conscientiously to engage in its investigation with a view to the development of truth alone.

CHAPTER II.

ON THE ORIGIN OF THE NATIONAL DEBT.

THE National Debt is generally supposed to have had its origin in the establishment of the Bank of England in the year 1694; the sum of £1,200,000 then advanced on loan by the Bank to the Government being usually considered as forming the first item of the debt now owing by the nation. This is not, however, a correct supposition; the earliest contracted portion of the present debt being, in fact, a sum of £664,263, part of a larger sum which had been advanced by various bankers and merchants to Charles II., and which that monarch, by shutting up the Exchequer, on the 2nd of January, 1672, refused to pay. The entire sum so detained was £1,328,526, for which, upon its detention, Charles promised to pay 6 per cent. interest; and for a few years he performed his promise. Shortly, however, before his decease, the payment of the interest was stopped; and the unfortunate creditors had to apply to the Courts of Law to enforce a settlement of their claim. Then ensued a protracted struggle in the Courts of Law and Equity, which lasted for about fourteen

1694. Bank of England.

First Portion of the present National Debt.

CHAP. II.

Litigation with Charles II.

years, at the end of which time a kind of compromise, most disgraceful to the Government, was effected, by means of which it was, in the year 1699, enacted, that one-half only of the stipulated interest of 6 per cent. should be paid, and that the entire debt itself should at any time be redeemable by the payment of one-half of the principal. This payment has never yet been made; and the sum of £664,263 still forms the earliest contracted portion of the present National Debt. It does not now, however, appear as a separate item, it having been subsequently incorporated with the South Sea Stock.

Introduction of Loans.

With the foregoing exception, the National Debt can scarcely be said to have had an existence prior to the establishment of the Bank in 1694; nor, indeed, was the money, borrowed for the service of the State, consolidated into a permanent fund or debt for some years after this event. At first, the supplies required by the Government were raised by borrowing money in anticipation of the revenue to be derived from various taxes, it being expected that the produce of these taxes would fully redeem the liabilities thus incurred. It, however, frequently happened, that the taxes produced less than the amount of money borrowed in anticipation of them; and the deficiency thus caused amounted, in a few years, to several millions sterling. During the reign of William and Mary, the practice also prevailed of raising money by temporary annuities, these being

granted both for short terms of years, and for one, two, or three lives, the Government paying the most extravagant terms for the accommodation thus afforded. It was these annuities that thus first prepared the way for, and gradually introduced, the permanent funding system; for many of them, though only granted in the first instance for short periods, were afterwards extended to a period of ninety-six years, the holders of them only paying for this great prolongation four and a half years' purchase on the amount of the annuity.

Sale of Annuities.

Colquhoun calculates that the sums borrowed during the reign of William and Mary amounted to £44,100,795, while the taxes which were to have redeemed the sums so borrowed, produced only £34,034,518. The deficiency thus occasioned, with other liabilities incurred, made the National Debt, at the decease of William, to amount to £16,394,702, and the interest to £1,310,942.

Loans under William III.,

During the reign of Anne, the credit of the nation sank to a very low ebb; and the Government was much embarrassed by the great quantity of its floating securities which were in circulation. This is, however, not much to be wondered at. It was but natural that, for many years after the glorious Revolution, and while there were still two great parties in the country intent upon subverting each other, much distrust and uncertainty should prevail whether the new order of things would be permanently

and under Queen Anne.

CHAP. II.

established. As long as there was any doubt about this, it was plainly a question whether the securities of the *de facto* Government were really trustworthy. This feeling, combined with a financial embarrassment on the part of the Government, so great as to induce it to grant annuities for one life for nine years' purchase, for two lives for eleven years' purchase, and for three lives for twelve years' purchase, sank the credit of the State so low, that its securities were at a discount of 40, 50, and even 60 per cent. in the market. To relieve itself from this state of perplexity and embarrassment, the Government gladly allowed the Bank to purchase Exchequer Tallies and other securities to the amount nominally of more than one million sterling, at the enormous discount just mentioned, and upon condition of withdrawing them from circulation to add them to its capital as so much money lent to the Government, and for which the Government agreed to pay the Bank 6 per cent. interest on the whole nominal amount.

Low state of Public Credit.

Sale of Exchequer Tallies.

A much larger quantity of these Public Securities was bought up and funded in a similar way by the East India and South Sea Companies—a fund having been formed by the latter company about the year 1710 of £9,471,325, the interest of which, at 6 per cent., amounted to £568,279 per annum.

Permanent Debt.

Thus arose the permanent public debt of the country—a debt unparalleled in history, whether

we consider its amount, the extraordinary modes resorted to in contracting it, or the vast influence it has exercised on the destinies of individuals, of the nation, and of the world at large.

Grants of Perpetual Annuities.

At the death of Anne, the total debts of the nation, funded and unfunded, were, as has been calculated by Sir John Sinclair, £54,145,363, and the annual interest payable thereon, £3,351,358. From the circumstances we have just detailed, we think we are warranted in coming to the conclusion, that this was the period when the National Debt was first accepted and considered as an established institution of the empire. Hitherto the loans had, in a great degree, been looked upon by the public as temporary in their nature—the annuities being for short periods or for lives. Now, however, perpetual annuities were granted; and, henceforth, the public debts were generally considered as practically irredeemable, though many persons were still sanguine enough to believe, that by the operation of a sinking fund, or by other devices, plenty of which were tendered by ingenious men, the burden might yet be removed from the shoulders of the nation altogether. How futile this expectation was, our further investigations will demonstrate, though it is not at all clear, but that, with proper efforts made during the succeeding and comparatively peaceful reign of George I., the greater part, if not the whole, of the debt might have been paid off. We doubt, however, whether any

CHAP. II. permanent good would have arisen from a partial redemption of the public burdens. Could the whole have been paid off, and no nucleus left for future engagements to cluster around, the experience which the nation had already had of the disastrous way in which money had been raised in a time of necessity, and the alarm which had been diffused throughout the empire at what was then considered the overwhelming weight of the public debt, might have induced it to come to a resolution to prohibit in future the raising of money upon annuities, either temporary or perpetual, and to provide for the expenses of each year in each year. We think that there is good ground to believe, that this is perfectly practicable where no previous weight of debt hangs over a nation.

CHAPTER III.

FURTHER HISTORY OF THE DEBT TO THE YEAR 1797, AND THE MONEY VALUE OF THAT WHICH WAS BORROWED.

FOR many years subsequent to the period at which we have now arrived, there was little or no addition made to the amount of the Public Debt. In the succeeding reign of George I. there was, on the contrary, a small diminution effected, to the amount of about two millions in the principal, as well as a much larger proportionate reduction in the interest, the latter being reduced by more than one million sterling per annum. During the first twelve years also of the reign of George II., and until the war with Spain broke out, a further diminution of about five millions was effected, so that when the Spanish war commenced in 1739, the national debts, funded and unfunded, did not quite amount to £47,000,000 sterling. During the nine years, however, that this war lasted, an addition of no less than £31,000,000 was made to the debt, which was thus raised from £47,000,000 in 1739, to £78,000,000 in 1748, the interest being correspondingly increased

George I. Reduction of the Debt.

George II.

CHAP. III.

from less than £2,000,000, in the former period, to upwards of £3,000,000 per annum in the latter.

Improvident Mode of creating Funded Stock.

This great increase is more especially worthy of our attention and consideration, inasmuch as it was partly owing to a most injurious practice resorted to at that time, and which has, subsequently, prevailed to so fearful an extent as to add, unnecessarily, several hundred millions to the capital of the debt. The practice referred to is that of borrowing money by creating a stock bearing a lower nominal rate of interest than that generally prevailing at the time the money is borrowed; the borrower, who, in this case, was the Government, receiving, in consequence, a less amount of money in exchange for this stock. By this means, a much larger amount of debt or stock is created than the money received for it; and though, possibly, it may make but little difference at the time the transaction first takes place, yet should the nation ever be in a condition to pay off its incumbrances, it can only do so by paying off all that nominal excess for which it has been made liable. To make this more intelligible to the general reader, we will suppose a case by way of illustration.

Let us suppose, then, that the Government wants to borrow a sum of £10,000,000 sterling to carry on a war, or for any other purpose, and that the current rate of interest prevailing at the time, for money lent upon good security is 5 per cent. The simple and obvious mode is to borrow the £10,000,000 at

the current rate of interest, by creating a stock bearing an interest of 5 per cent., which would then be called a 5 per cent. stock, and for every £100 of which the government would be able to obtain £100 in money. This, we say, would be the simple and obvious mode; and, by adopting it, no more stock or debt would be created than money received.

Let us next suppose that, instead of doing this, the Government, either because it has been accustomed to do so, or because the wealthy people who lend money like it best, determines to borrow the £10,000,000 required, in a 3 per cent. stock, being a rate of interest 2 per cent. lower than the current rate prevailing at the time. Now, what is the result? Just this:—the parties who lend the money, or, in other words, bargain for and purchase the stock, would naturally say, "We cannot give so much for a 3 per cent. stock as we can for a 5 per cent. one. For a 5 per cent. stock, we can give £100 for every £100 stock, but if it is to be only a 3 per cent. stock, we can only give £60 money for it. By adopting this mode, therefore, the Government must necessarily create more stock or debt than the money it receives for it; for it must create £100 debt for every £60 money. In the case under consideration, the Government would not be able to obtain the £10,000,000 it wanted, without creating upwards of 16½ millions of debt; the full amount of which the country would be rendered liable to pay, should it

CHAP. III.

ever be in the position, or have the wish, to pay off the stock thus created.

1781. Resolutions of the Commons.

As an officially authenticated specimen of this mode of borrowing money, and certainly one of the most flagrant on record, we insert the resolutions of the House of Commons of March 8th, 1781, authorising a loan of twelve millions sterling, towards the supply granted to His Majesty in that year:—

'Resolved, 'March 8th, 1781.

'That towards raising the supply granted to 'His Majesty, the sum of £12,000,000 be raised by 'annuities, and the further sum of £480,000 by 'lottery, in manner following—that is to say:

'That every contributor to the said twelve mil- 'lions shall, for one hundred pounds contributed and 'paid, be entitled to the principal sum of one hun- 'dred pounds in annuities after the rate of three 'pounds per centum; and to an additional principal 'sum of fifty pounds in like annuities, after the rate of 'three pounds per centum, and also to a further prin- 'cipal sum of twenty-five pounds in annuities, after 'the rate of four pounds per centum, respectively, 'to commence from the fifth day of January, 1781.

'That the sum of twelve millions to be contributed, 'as aforesaid, together with the additional capital of 'fifty pounds to every one hundred pounds advanced 'and paid, amounting to six millions, making toge- 'ther, in the whole, eighteen millions in annuities

Reckless Terms for a Loan of Twelve Millions.

'after the rate of three pounds per centum, be from 'the time of their commencement added to, and 'made one joint stock with, the three pounds per 'cent. annuities, consolidated by the Acts of the '25th, 28th, 29th, 32nd and 33rd of George II., and 'by several subsequent acts, and charged upon the 'Sinking Fund, and shall be payable and transfer- 'able at the Bank of England at the same time, and 'in the same manner, and subject to the like re- 'demption by Parliament, as the said three pounds 'per centum consolidated annuities are payable and 'transferable there, and redeemable by Parliament.

'That the annuity, in respect of the said addi- 'tional sum or capital of twenty-five pounds, to which 'every contributor of one hundred pounds contri- 'buted as aforesaid shall be entitled, making together 'in the whole three millions, to carry an interest and 'annuities after the rate of four per centum shall 'be paid at the Bank of England for one quarter of 'a year from the fifth day of January, 1781, to the 'fifth of April following, and from that time shall be 'added and make one joint stock with certain annui- 'ties after the rate of four pounds per centum which 'were consolidated by an Act of the last session of 'Parliament, and shall also be charged upon the 'Sinking Fund, and shall be payable and transfer- 'able at the Bank of England at the same time and 'in the same manner and subject to the like redemp- 'tion by Parliament as the said consolidated four

CHAP. III.

'pounds per centum annuities are payable and transferable there and redeemable by Parliament.

Lottery Tickets.

'That every contributor towards raising the said 'sum of twelve millions shall, for every one thousand 'pounds contributed, be entitled to four tickets in a 'lottery to consist of forty-eight thousand tickets, 'amounting to four hundred and eighty thousand 'pounds to be distributed into prizes for the benefit 'of the proprietors of the fortunate tickets in the 'said lottery, which shall be paid in money at the 'Bank of England to such proprietors upon demand, 'as soon after the first day of March, 1782, as certi-'ficates can be prepared, without any deduction 'whatsoever.'

Thus, for the purpose of effecting a loan of twelve millions sterling, the Government pledged the country to pay to the parties who advanced the money, if ever the stock should be redeemed, twenty-one millions sterling, with the present additional advantage of lottery tickets worth £40 per £1,000 of capital advanced, and of antedating the payment of the interest by about a quarter of a year. The lottery tickets were not, however, absolutely given without equivalent, as the holders had to pay an additional £10 each for the four tickets; but it was nevertheless a great advantage to be able to share in the chances of a lottery in which the *whole* of the money received for tickets was given back to the holders of the fortunate tickets in prizes.

When the writer of this essay first discovered, many years ago, that this was the mode resorted to in contracting the principal part of the loans, he first thought he must have made some mistake; as it appeared to him quite impossible that a mode of finance, so destructive to the welfare of succeeding generations, could have been pursued. Finding, however, upon repeated investigation, full confirmation of the fact as now stated, he next thought he had made a discovery scarcely known to any one else; and, under this impression, communicated to the public, by letters in the public journals and otherwise, the knowledge he had obtained. More extensive reading and research have, however, made him acquainted with the fact, that the system of finance now explained was well known to, and justly reprobated by, some of the principal authorities who have written on such subjects, a few of whose remarks he will now subjoin.

Author's discovery of this mode of contracting loans.

Dr. Price writes: 'In order to raise two millions, 'the legislature created last year a new capital in 'the 3 per cent. consolidated annuities of £2,150,000. 'Every share of £77 10*s.* in this new capital was 'valued at £65 17*s.* 6*d.*, or every £100 stock at '£85. For the whole new capital, therefore, Go-'vernment has received in money £1,827,500. This 'new capital the public may be obliged to redeem at 'par; in which case £322,500 (being the difference 'between £1,827,500 and £2,150,000), that is, 17½

Dr. Price's opinions.

CHAP. III.

'per cent. will be paid by the public more than it 'has received. In this transaction, therefore, the 'Government has acted as a private person would 'act, who, in order to raise £850 on a mortgage, 'should promise for it £30 per annum (or 3½ per 'cent. interest), and £150 (that is, 17½ per cent. 'nearly) over and above the principal when the 'mortgage came to be discharged.

Loan of 1759.

'In 1759, the fifth year of the last war, the lenders 'of £6,600,000 were granted a capital in the 3 per 'cents. of £7,590,000, together with the profits of 'the lottery.

1762.

'Again in 1762, in order to raise 12,000,000, 'every contributor of £80 was entitled to a capital 'of £100, to bear 4 per cent. interest for nineteen 'years, and afterwards to become redeemable, and 'to bear interest at 3 per cent.'

Dr. Price calculates that, in this instance, £4,800,000 was needlessly added to the capital of the debt.

Sir John Sinclair writes thus:—

Sir J. Sinclair's account.

'It was during this period (viz., from 1739 to '1748), that a practice, which began in the reign of 'Queen Anne, of adding an artificial to the real 'capital, was first carried to any great height. The 'funds are now considered as a permanent species of 'property, which it was supposed the nation could 'never totally redeem; and it was, therefore, thought 'better to dispose of a certain quantity of a 3 or 4 'per cent. stock, and thus to make a bargain at one

'determinate interest, than to establish new funds 'at different rates in proportion to the fluctuation of 'the value of money, which, during a long war, was 'perpetually increasing. The plan was, at first, less 'pernicious than it has since proved. The price of 'stocks, during this whole period, did not greatly 'differ from the capital. Indeed, until the rebellion 'of 1745, the 3 per cents. had never been below £89. 'But the same practice has since been pursued, 'when these funds sold at little above one-half of 'their nominal value; and the State has acknowledged 'itself indebted in a hundred pounds, when perhaps it 'only received sixty. The ignorant might be thus 'deceived into an opinion, that we were borrowing at 'a lower interest than, in fact, was the case. We 'have dearly paid, however, for this imaginary advan- 'tage, by a great and solid addition to our national 'incumbrance. How much of our present debts 'ought to be attributed to this destructive mode of 'raising money will be the subject of future in- 'quiry.' CHAP. III.

Dr. Hamilton's statement.

Dr. Hamilton, to whom the credit is due of first pointing out the fallacy of a sinking fund, unless it were derived from, and sustained by, a surplus revenue, says:—'It has been maintained in the House 'of Commons on the part of the Ministry; and, if we 'mistake not, even admitted by the Opposition, that 'it was the duty of a financier to raise the loan at 'the least *annual* expense it could be procured for,

CHAP. III.

'*without regard to the amount of the nominal capital.* 'We apprehend that this opinion is indefensible, 'except upon the supposition that all views of dis- 'charging the national debt, or any part of it, are 'for ever laid aside, and that the measures founded 'upon it, are very pernicious. The nation ought to 'pay no more in discharge of debt than the sum 'borrowed, together with the interest during the 'time the debt subsists. By the system now fol- 'lowed, it pays, besides, the excess of the capital 'assigned above the sum borrowed in case the re- 'demption be at par. Or, if the price of the funds 'enables the Commissioners to redeem the debt on 'lower terms, the nation pays, in addition to the 'sum borrowed, the difference between the price of 'stock at the times of borrowing and paying, which 'is always great.'

Reasons for 3 per cent. loans.

It will now, probably, be asked upon what grounds could so pernicious a mode of borrowing money be upheld by its apologists. The reply is, that, as a 3 per cent. stock was generally preferred to a 4 or 5 per cent. stock by the astute financiers who contracted for the loans, the Government was able to obtain the money it wanted on slightly better terms, as regards the amount of annual interest to be paid for it, by borrowing it in a 3 per cent. stock than in a 4 or 5 per cent. stock. The reason, again, for this preference on the part of the loan contractors for a 3 per cent. over a higher description of stock was

this :—that there was a better chance of any rise in value of which the stock might be susceptible, being secured to themselves, than there would be if the loan were effected in a higher stock. It must be borne in mind that all descriptions of stock are redeemable at par, and that if they rise above par, that is, if £100 stock becomes worth more than £100 money, the Government has the privilege of taking the stock from the holders, and giving them money instead, or, in other words, of redeeming or paying it off—or it may so arrange as to get the interest reduced. Now this advantage on the part of the Government, as against the parties who lend the money, is more likely to be secured by the Government in a 5 per cent. than in a 3 per cent. stock; inasmuch as a 5 per cent. stock will sooner rise above par than a 3 per cent., and thus afford the Government an opportunity of redeeming it, or reducing the interest upon it. Did the various stocks in the market bear prices in exact proportion to the respective amounts of interest payable on them, their respective prices would range as follows:—When the 5 per cents. were at 95, the 4 per cents. would be at 76, and the 3 per cents. at 57. Now, it is evident that if the funds rise generally in value, the 5 per cents. at 95 will sooner rise above 100, or par, than the 3 per cents. at 57 will, and be sooner liable, therefore, to be paid off, or have the interest reduced. Any rise in value which the 3 per cents. might attain, was, therefore, more likely to be permanently secured

Comparative advantages of 3 per cent. loans.

CHAP. III.

to the holders of the stock than an equal rise in a 5 per cent. stock would be; and, for this reason, the 3 per cent. stock was preferred, and terms, a shade better could be obtained by the Government, by negociating the loans in it, than in a higher description of stock.

The advantages of 3 per cent. loans do not counterbalance their injustice.

The slight advantage thus obtained is not, however, for a moment to be considered as counterbalancing the impolicy and the injustice of the proceedings we have been describing. If it be doubtful whether we have any right whatever to relieve ourselves of a present burden by throwing even a portion of it on posterity, seeing that each succeeding generation has its own troubles to encounter, and its own peculiar burdens to sustain, it surely cannot be a question, that, at any rate, we have no right artificially to enhance the principal of that debt to an immense extent, for the sake of saving ourselves a little additional interest on the money expended for our present use. Justice would rather seem to require that *additional* interest, in the shape of a temporary annuity, should be paid for a time by the generation whose interests were more immediately subserved by the money borrowed; in order that posterity might, at any rate, have but a portion of the burden to sustain.

Having entered into this explanation of the mode adopted in contracting a great part of this debt, we shall be better able to comprehend the nature of its progress, the history of which we now resume.

Uncertainty of the value borrowed in Will. III.'s reign.

As there is a great deal of uncertainty about the exact value received by the Government of William and Mary, in exchange for the national indebtedness which it contracted, we shall assume that, in this reign, no artificial capital was created, but that full value was obtained for the debt incurred. The amount of the debt at the death of William stood thus:—

		s.	*d.*
Due on account of the bankers' debt .	664,263	0	0
Due to the Bank of England . .	1,200,000	0	0
Due to the East India Company . .	2,000,000	0	0
Annuities for years (capital sums) . .	2,584,265	6	0
Annuities for lives (capital sums) . .	300,253	6	3
Deficiencies and sums charged upon various duties and taxes which were not mortgaged for the discharge of the said deficiencies	5,814,041	11	3
Other deficiencies and loans . . .	1,162,486	18	8
Army and Navy debts	2,660,016	19	5
Subsidies due to the Elector of Hanover, etc.	9,375	0	0
	£16,394,702	1	7

Increase of debt under Queen Anne.

During the reign of Queen Anne the debt was increased from £16,394,702 1s. 7d. to £54,145,363 11s. 4d. by cash raised on perpetual annuities—or annuities for lives—on the same for 99 years—and by funding various deficiencies, tallies, and debts. That portion of the capital of the debt which was created by the perpetual annuities, and for which permanent stock was given, amounted, according to

CHAP. III. Marshall's tables, to £18,037,115, for which the sum of £15,313,405 only was received; showing an excess of debt or stock created beyond the money received, of £2,723,710.

George I. George II. During the reign of George I. and for the first twelve years also of that of George II., no additional debt, as has already been observed, was contracted; but during the period which elapsed from 1740 to 1762, at which latter period the seven years' war terminated, the debt was raised to £146,682,849, the artificial capital created beyond cash received being £2,896,000.

Douceurs to contractors. This seems a very moderate addition of artificial capital, considering the magnitude of the sums raised. The reason of this is to be found in the fact, that various premiums and douceurs were given to the contractors for the loans between the years 1756 and 1763, which Sir John Sinclair estimates to have been equal to about 13 millions sterling. As these premiums were either payments at the time, or life annuities granted, they do not affect the present amount of the debt, and do not, therefore, enter into our present calculation.

American War of 1776. We now pass on to the year 1776, at which time the war with our American colonies commenced; and we had not long been engaged in this struggle before the Debt was enormously increased, especially as the excess of stock created beyond cash received proceeded to an extent, and with a rapidity hitherto unknown.

Increase of debt in 1776 and 1786.

Between the years 1776 and 1786 stock was created, according to Sir John Sinclair, to the extent of £115,269,992, while the cash received for it was only £91,815,324, shewing an excess of stock or debt over cash received of £23,454,668. Dr. Hamilton calculates the stock created to have been £115,267,993, and the cash received £91,763,842, thereby making the excess of stock to be £23,504,151, leaving no doubt but that the debt must have been artificially increased at this period by about 23½ millions or 26 per cent. excess on the cash actually received. We have already, as a sample of the mode in which money was raised at this period, given in a former part of this chapter, the particulars of the loan of 1781, by which 21 millions of stock was created for 12 millions cash received. At the conclusion of this war, or, rather, at the beginning of 1787, the National Debts funded and unfunded were, it has been calculated, £249,210,896, of which £239,200,719 was funded and £10,010,177 unfunded debt.

French Revolution.

We now come to the period of the French revolutionary war, which may be considered to have extended, with short intervals, from 1793 to the battle of Waterloo in 1815. It was during this period that the pernicious system of financing which we have been describing received its fullest development, and reached its greatest proportions—the magnitude of the operations of this period so far transcending all previous transactions of the like nature, as to make

CHAP. III.

the latter sink into utter insignificance in the comparison. It would be tedious, and comparatively useless, to detail minutely the terms and circumstances of each loan. It will be sufficient to say, that, taking an average of all the loans from the year 1793 to the year 1816, upwards of £173 of debt was created, for every £100 money received. Marshall gives the following as the rate at which the loans were contracted in each year :—

Average rate at which the loans were contracted from 1793 to 1816.

Year.	Money received. £100.	Stock created for every £100 money.
1793	100	140·65
1794	100	157·07
1795	100	163·30
1796	100	180·42
1797	100	215·52
1798	100	207·44
1799	100	177·00
1800	100	158·50
1801	100	174·54
1802	100	132·17
1803	100	173·55
1804	100	185·00
1805	100	177·20
1806	100	167·70
1807	100	159·20
1808	100	162·67
1809	100	161·39
1810	100	152·67
1811	100	166·53
1812	100	180·00
1813	100	184·87
1814	100	154·17
1815	100	191·52

being an average, for the whole period, of 173·3 stock created for each £100 money received.

Let us now apply these particulars to ascertain the artificial increase of the debt during the period now under consideration:—

Debt in 1793.

The funded debt in the beginning of the year 1793 stood at £229,614,446. In the corresponding period of the year 1816 it stood at £816,311,939, being a net increase, during those twenty-three years, of £586,697,493. If this additional debt or stock were created, as Marshall states, at the rate of £173 for every £100 cash, it follows that the Country only received £339,131,500 instead of £586,697,493, and that the additional £247,565,993 was thus saddled upon the Country, by its being artificially added to the capital of the debt, by the mode of raising the money.*

Amount of artificial increase,

besides an increase, redeemed by the sinking fund.

The case, as against the Country, was, indeed, somewhat worse than this; for, in addition to the net increase of the debt up to the year 1816, as just described, we must bear in mind that a great deal of the debt had been redeemed by the sinking fund, which redemption was not effected upon the same terms as those upon which the debt had been con-

* We state the matter thus somewhat hypothetically; because, as some small portion of the debt was contracted in the 5 per cents. and some in the 4 per cents., that portion did not probably artificially enhance the capital of the debt to the same extent as those loans did which were raised in a 3 per cent. stock. It seems, however, clear, that the annual charges which were created were equal to the imposition of a capital debt of £173 in a 3 per cent. stock for every £100 money received during the war.

CHAP. III.

tracted, but upon terms much more unfavourable to the Country. Marshall shows that while £173 of debt was contracted for every £100 money received, only £163 of debt was discharged for every £100 money paid. The following table shows the amount of stock redeemed in each year for each £100 paid. We have also placed the preceding table in juxtaposition with it that the comparison may be made at a glance :—

Debt paid and debt created for every £100 money, from 1793 to 1816.

Year.	Stock redeemed for every £100 money paid.	Stock created for every £100 money received.
1793	133·35	140·65
1794	149·82	157·07
1795	151·73	163·30
1796	166·33	180·42
1797	199·90	215·52
1798	197·62	207·44
1799	168.00	177·00
1800	158.33	158·50
1801	162·52	174·54
1802	144·28	132·17
1803	174·93	173·55
1804	176·17	285·00
1805	170·35	177·20
1806	163·57	167·70
1807	159·07	159·20
1808	151·90	162·67
1809	148·61	161·39
1810	148·30	152·67
1811	157·20	166·53
1812	169.67	180·00
1813	170·10	184·87
1814	150.22	154·17
1815	170·39	191·52
Average -	163.32	173·30

CHAP. III.

The very last transaction in loans, at the conclusion of the war, shows the impolicy of the mode of financing then in vogue in a very striking light. Marshall says :— Marshall's account.

'The only loan created in 1816 was £3,000,000 from the Bank of England. That, with the surplus of the loans raised in 1815, supplied the means of applying £13,047,317 in 1816 to the purchase of stock at an average rate of £62 for 3 per cent. stock, while in the preceding year £62,640,000 of 3 per cent., and £3,600,000 of 4 per cent. stock, was created for only £35,689,803 net money received, being at the rate of little more than £50 of money received for every £100 of 3 per cent. stock created.' Loan of 1816.

Paying a price of £62 for an article, and then valuing it only at £50 when you pay it away, or, in other words, contracting a debt of £62, in order to discharge obligations to the amount of £50, needs no comment, especially as we shall have to take up the subject again when we treat of the sinking fund.

The total artificial enhancement of the debt up to the year 1816 appears to have been about £276,665,703, or, at any rate, equivalent to that amount in a 3 per cent. stock, namely £2,723,710 in the reign of Queen Anne, £2,896,000 in the reign of George II. £23,500,000 during the American war, and £247,565,993 during the Great French war. Total amount of artificial enhancement of debt.

CHAP. III.

Variation of accounts.

It is, perhaps, necessary here to remark, that various statements of the amount of the National Debt have at different times been published, which differ considerably from those given above. It is, indeed, scarcely possible for any private individual to arrive at the exact amount of former times, as the accounts seem to vary considerably, even when derived from official sources. This may possibly have arisen, in some degree, from changes made from time to time in the mode of keeping the public accounts, as also from the returns having been made at different periods of the same year; but the principal part of the discrepancies arises, we believe, from the same items not being all embraced in the various calculations which have been made. Thus one person will take the funded debt alone, while another will include the unfunded debts. Of the unfunded debts, some will probably reckon only the outstanding Exchequer Bills, while others will include the Navy and all other outstanding debts existing at the time. In many cases, the debt on account of Ireland is included—other calculations exclude it. For many years there was a debt of about £5,000,000 on the Emperor of Germany's account—this was also included in some accounts and excluded from others. Some statements of the debt do not include the long and short annuities, while others capitalise them at their supposed value, and put down the sum as part of the National Debt. If we only take the year

1823 as an instance, we shall find that while one set of official statements makes the funded debt, on the 5th January, 1823, to be £791,806,312, the Chancellor of the Exchequer in his speech on the Budget in the same year, stated it to be £796,530,144 on the very same day. But it was about this time, that a convention was entered into with the Emperor of Austria, by which the Emperor of Germany's debt was commuted; and it is possible, that, while this debt was included in one statement, it was excluded from the other. CHAP. III.

Statement of Debt in 1833.

Again—take the year 1833, January 5th, as another example. One set of accounts makes the funded and unfunded debt to amount to £781,378,549, while another statement puts them down at £789,474,422. Upon examining the two accounts, we find that they both agree in making the unredeemed funded debt £754,100,549; and the difference is in the unfunded debt, which stands in one statement as 'Exchequer Bills outstanding 5th January, 1833, £27,278,000,' and in the other as 'unfunded debt and *other demands* outstanding, £35,373,873.' *

* Even the late Mr. G. R. Porter, whose official position at the Board of Trade, gave him the utmost possible facility for ascertaining correctly everything connected with the Public accounts, had to complain of their inadequacy. Alluding to the financial statement annually made in the House of Commons by the Chancellor of the Exchequer, he says:—'The 'details of these Budgets would consequently throw but little 'light upon the financial condition of the country, even if

CHAP. III.

It is in this way, we think, that the principal part of the variations of the different statements is to be accounted for. We believe, however, that the tables we have previously given approach very closely to the truth, and are accurate enough to answer all the purposes for which they are inserted in this Essay.

Items of debt.

As it may be interesting to some to see a detailed statement of the National Debt for one year, we insert such statement of the funded debt for the year 1833, being the year we have just been commenting upon with reference to the seeming discrepancy in the amounts given of the unfunded debt.

National Debt on the 5th January, 1833.

GREAT BRITAIN.

	Capital of unredeemed debts.		
Debt due to the South Sea Company, at 3 per cent.	3,662,784	8	6½
Old South Sea Annuities	3,497,870	2	7
New South Sea Annuities	2,460,830	2	10
South Sea Annuities 1751	523,100	0	0
Debt due to the Bank of England	14,686,800	0	0
Bank Annuities created in 1726	874,949	19	0
Consolidated Annuities	347,458,931	7	0¼
Reduced Annuities	123,029,913	5	3
Total bearing interest at 3 per cent.	496,195,179	5	2¾

'they had been preserved in an authentic form, which has 'not been done. Any statements of the kind that could be 'offered, must be drawn from unauthorised publications in 'which they have been given without regard to methodical 'arrangement, while, as regards some years of the series, we 'should seek in vain for any statement whatever.'

Total amount of Debt.

	Capital of unredeemed debts.		
Brought forward . .	£496,195,179	5	2¾
Annuities at 3½ per cent. 1818 . .	12,350,801	16	1
Reduced Annuities ditto . .	63,453,824	2	1
New 3½ per cent. Annuities . .	137,613,820	7	2
4 per cent. Annuities created in 1826 .	10,796,340	0	0
New 5 per cent. Annuities . .	462,736	13	4
Great Britain . . .	£720,872,702	3	10¾

IRELAND.

Irish Consolidated Annuities at 3 per cent.	2,803,780	18	4
Irish Reduced Annuities ditto .	162,062	6	2
£3 10s. per cent. Debentures and Stock	14,605,670	3	11
Reduced 3½ per cent. Annuities . .	1,234,509	4	3
Debt due to the Bank of Ireland, at 4 per cent.	1,615,384	12	4
New 5 per cent. Annuities . . .	6,661	1	0
Debt due to the Bank of Ireland, at 5 per cent.	1,015,384	12	4
Total United Kingdom . . .	754,100,549	10	2¾
Unfunded debts of all kinds . .	£35,373,873	6	1½

Having now brought up the general account of the Debt to the year 1816, we shall pause in its history, until we have examined the real value borrowed, which is by no means truly expressed, when we state it, merely as so many 'pounds sterling.'

CHAPTER IV.

WHAT WAS THE VALUE REALLY BORROWED BY THE STATE, IN THE CONTRACTION OF THE NATIONAL DEBT, UP TO THE YEAR 1816.

CHAP. IV.

Increase of Debt.

WE have seen, by our previous investigations, that the method adopted in contracting the loans, has had the effect of swelling the nominal capital of the National Debt by at least 276 millions sterling beyond the sums actually borrowed. Great, however, as is this imprudent amplification of the debt, it yet by no means expresses all the difference between the value lent, and the value for which the Country has been made liable. This, again, has been increased * by the various alterations of the monetary system of the Country—in the first place, by the Bank Restriction Acts of 1797 and subsequent years—and, secondly, by the measures of the late Sir Robert Peel in 1819 and 1844. We propose, therefore, to examine, and to ascertain, if possible, what was the *real value* lent to the nation, stripped of

* Increased as respects the loans contracted between 1797 and 1816, but diminished as respects those previously contracted.

Debt at close of French war.

these artificial enhancements. This value stood recorded, at the conclusion of the French war, as 816 millions of *pounds*, reckoning the funded debt only; but this is a very loose and unsatisfactory description of the extent and real value of the Debt contracted, and as existing at that time; for it will give us no clear idea of it, unless we first know what the value of these pounds was. Even the metallic pound has been of all values and descriptions, ranging from twelve ounces of silver to less than one ounce;* but every one conversant with these matters knows very well that the *pound* during the time that the greater portion of this debt was contracted, was not, practically, a metallic pound at all, but merely a piece of paper issued by the Bank of England, of no *intrinsic* value whatever, but alone valuable in the proportion that it would purchase commodities. A very ready reply might, indeed, be given to any enquiry touching the value of the National Debt, if the answer given by the late Sir R. Peel to his own celebrated question, 'What is a pound,' were accepted and coincided in without qualification. This answer was, that, 'according to practice, according to law, according to the ancient monetary policy of this 'country, the meaning of a pound is neither more 'nor less than a certain definite quantity of gold 'with a mark upon it to determine its weight and

* In the year 1550, in the reign of Edward VI., some money was coined so as to contain but 16 dwts. 16 grs. of silver in the pound sterling.

CHAP. IV.

Peel's definition of a Pound.

'fineness.' Could we implicitly bow to, and accept this definition, it would follow, that, as this 'certain definite quantity' was, theoretically, though not practically, during the whole of the time that the debt was being contracted, 5 dwts. 3 grs. of gold,* and as the debt amounted, at the close of the war, to 816 millions of pounds, so that debt must necessarily be 816 million times 5 dwts. 3 grs. which will be found to amount to about 6,401 tons avoirdupois of gold, of standard fineness.

Bullionist opinions.

This is the view taken by the school of economists of which the late Sir Robert Peel was so eminent a member and leader, and it is now upheld by Lord Overstone, Mercator of the *Times*, and others of similar sentiments. Every pound they consider to be 5 dwts. 3 grs. of gold—that, and that alone. In their view, the obligation to pay back such pounds as these, either in the payment of the interest, or the repayment of the principal of the debt, was either expressed or implied in all the engagements entered into by the Government with the fundholders.

Peel's definition unsatisfactory.

Notwithstanding the great names which endorse this doctrine, the above definition of the 'pound'

* The above must be taken with some qualifications; as Sir Robert Peel was in error when he said 'a pound' was, even by the practice, the law, and the monetary policy of this Country, '*neither more nor less*' than a definite quantity *of gold* with a mark upon it, etc., for there were other legal pounds besides this, as we shall shortly describe.

does not appear to be a satisfactory and conclusive one, to many parties. Men of thoroughly practical, as well as philosophic and scientific minds, have entirely rejected it; nor, indeed, is it precisely true, in fact, as a matter of ordinary history. For it was not until the year 1816, after the whole of the debt which we have been describing was contracted, that 5 dwts. 3 grs. of gold was thus, *exclusively*, made the legal 'pound' sterling. Previous to 1816, the English pound sterling was, or might be, one of several things, at the option of the payer, for instance (with the exception of ten years from 1774 to 1784) it might be, for debts to any amount, either:

and, in fact, not true.

1st. 20 shillings of the silver coinage, however worn that coinage might be; or,

2ndly. The silver coinage, by weight, at 5/2 per ounce; or,

3rdly. 20 parts out of 21 of the current guinea, that is 5 dwts. 3 grs. of the then current gold coinage—equal therefore, to the present sovereign.

During the ten years from 1774 to 1784, the silver by tale of coin, was restricted to payments of not more than £25 at a time; but at 5/2 per ounce it was still a legal tender, at all times, and to any amount.

Payments by tale of silver coin restricted.

It is not, therefore, strictly and historically true, that, 'according to practice, according to law, according to the ancient monetary policy in this

Variation of the Pound.

CHAP. IV. ‘ Country, the meaning of a *“pound”* is *neither more*
‘ *nor less* than a certain definite quantity *of gold,’* etc.

General Thompson’s notice.

But though the economists of Sir R. Peel’s school, as a body, concur in, and maintain his definition of the Pound, even they are not, at all times, unanimous in their adhesion to it. When gold was first discovered to exist in such abundance in Australia as well as in California, Colonel (now General) Thompson gave notice in the House of Commons of his intention to move a series of resolutions, by which he sought to establish the principle, that the ‘ Pound ’ was not, necessarily, a certain definite quantity of gold; and that it would be unjust to the National creditor, that he should, in the event of the abundant production of gold causing it to fall to one-half, or one quarter of its present exchangeable value, be liable to have his claim on the Nation cancelled by the payment to him of 5 dwts. 3 grs. of gold for every ‘ Pound ’ owing to him. Fearing the loss that might accrue to the fundholder through maintaining inviolate the ‘ Pound ’ of Sir R. Peel, the gallant colonel sought to establish the principle recognised in a corn-rent, namely, that the value of a rent or sum should be calculated so as to yield to its recipient, upon the average, so much corn, and not as securing him, invariably, so much gold. This was so remarkable a defection from the principles hitherto so unswervingly maintained by this school of economists, that, to avoid possibility of mistake, or

suspicion of misrepresentation, we shall insert the resolutions given notice of by Colonel Thompson, at full length. CHAP. IV.

They were the following, viz. :—

General Thompson's resolutions.

'1. That it is the duty of the Government to take 'measures to guard against the possible effects of the 'increasing production of the gold mines upon the 'holders of the National Securities.

'2. That the contract with the holders of the Na- 'tional Securities ought to be substantially fulfilled.

'3. That the contract substantially was, to pay 'them annually the twentieth, or other declared 'fractional part of the real value received.

'4. That the community has no interest in de- 'frauding the fundholders to serve the payers of the 'taxes, as would be distinctly visible if every man 'was a fundholder in the same proportion that he is 'a tax-payer.

'5. That the allegation that the fundholder has 'been overpaid in consequence of what is denomi- 'nated "Peel's Bill" is a misstatement dependent 'upon reckoning all who have been overpaid, and 'taking no account of all who have been underpaid; 'the truth being that, on taking both together, there 'is, on the lowest estimate, a balance of eight mil- 'lions and a half, which, on an equitable adjustment, 'would be due to the fundholders.

'6. That if the discovery of new gold mines should

CHAP. IV.

General Thompson's resolutions.

'go on, it will lead to a diminution in the value of 'the precious metals like that which occurred in the 'reign of Elizabeth, and periods subsequent, in con- 'sequence of the discovery of America.

'7. That it is no argument against the imminence 'of this result, that commercial men show no symp- 'toms of alarm; because, to the general operations 'of commerce it is indifferent whether gold is dear 'or cheap, for the simple reason that every man pays 'it away at the same rate that he receives, and *vice* '*versa*.

'8. That the derangement which, from such a 'cause, would be made in the property of the fund- 'holders, and all old creditors and mortgagees, ought 'to be prevented by the same means which, as far as 'applied, were effectual in the time of Elizabeth— 'namely, by application of the principle of a corn 'rent.

'9. That the application of that principle would 'be effected by the issue of a paper currency not 'convertible upon demand, but issuable only to such 'amount as should be from time to time directed by 'Act of Parliament, on evidence produced, that the 'price of wheat had, for the average of a certain 'period, been below ——— shillings per quarter; 'any contravention of such acts in respect of issuing 'more than therein directed to be dealt with as in 'cases of forgery; the amount of such authorised 'issue to be debited to the Exchequer and applied to 'the Consolidated Fund.

General Thompson's resolutions.

'10. That the efficiency of such inconvertible paper is evidenced by the experiment of 1797, when the paper maintained its value without depreciation, except what was the necessary consequence of the premeditated over-issues.

'11. That the belief in the necessity of the community providing and purchasing nineteen millions of gold to be kept in cellars, is a superstition of the same nature as if a manufacturer in Manchester, or a merchant in Liverpool, should think he could not maintain his credit without a similar precaution.

'12. That in any community the collection of a treasure of this kind is impolitic and dangerous, as holding out temptation to invasions from abroad and to *coups d'état* at home.

'13. That in a settled and highly-civilized community there is no more necessity for the instrument of exchange to be framed of materials equal in value to the amount concerned, than for a bond or other obligation to be traced upon a plate of gold of the value of the amount at issue.

'14. That such a paper money as proposed might be issued gradually, and the other paper withdrawn; thereby preventing the danger of sudden change.

'15. That it is expedient to attend to the question before any public excitement is raised by current events.'

In these resolutions, and especially in the third,

CHAP. IV. General Thompson contends, and, as we think, very properly, that the *real value* is the point to be looked at—and that it is this, which, as a matter of *justice*, ought to be carefully secured to the national creditor. But the question arises, that, as this real value must be expressed somehow or other in material things, how, if it is not to be expressed in, or described as, so much gold, is it to be expressed, and in what is it to be described? 'Gold,' says the General, is *not* 'the real value;' and, notwithstanding the possible payment of the fundholder in gold, the contract may yet not be 'substantially fulfilled.' What, then, is the real value? And what will, in any case, be 'a substantial fulfilment' of the contract.

What is value?

We might here go into an examination of the abstract question of 'value'—a question which has engaged the attention of some of our most eminent political and social philosophers; but, waiving all pure abstractions, we think we may say, that the plain and practical answer to this question is given by General Thompson himself. He, in effect, says, 'Take care that the fundholder has as much corn 'returned to him as he lent'—that is, as we understand it, as much of the ordinary necessaries and comforts of life as he lent, for this is what is really intended, corn being the most appropriate commodity in which to express the idea, from its being the foundation of the production of all other necessaries and values. If you do not accomplish this, you do

Corn the standard of value.

not 'substantially fulfil' the contract; but, if this be done, the contract is fulfilled. He, therefore, evidently considers corn to be the true and natural standard of value, and in this he is corroborated by the highest authorities, some of whom we quote:—

Horner.

Mr. Horner.—'Corn is the great and paramount 'standard of all value.'*

Locke.

Locke.—'That wheat in England does come near-'est to a standing measure is evident, by comparing 'wheat with other commodities, money, and the 'yearly income of land in Henry VII.'s time and 'now.'

John Taylor

Mr. John Taylor.—'In the most important pro-'duction of the earth, we find a standard of value 'which nothing has ever given us reason to regard as 'subject to change. Such is corn, or whatever con-'stitutes in any country the principal food of its 'inhabitants, which of all the productions of the 'earth is the most important.'

Dr. Adam Smith.

And Dr. Adam Smith, though theoretically maintaining that labour was the true standard of value, was yet obliged to take refuge in the practical fact, that that quantity of corn, or of the necessaries of life, which labour could command, was the standard

* We quoted this from memory, but we have since met with the exact words; they are as follows, viz.:—'Corn is 'the admitted standard of all values, the precious metals 'being the practical measure.'—*Par. Deb. New Series*, vol. ix. 909, 910.

CHAP. IV.

by which the value of that labour itself must be determined. He says: 'Labour, like commodities, 'may be said to have a *real* and a *nominal* price. 'The real price may be said to consist in the quantity 'of the necessaries and conveniences of life, which 'are given for it: its nominal price is the quantity 'of money. The labourer is rich or poor, is well or 'ill rewarded in proportion to the *real*, not to the '*nominal* price.'

Gold and silver no standards of value apart from the price of Provisions.

In addition to these authorities, we may, ourselves, at once see, that the degree of subsistence which is afforded, and not the amount of gold or silver which is given, to any party, is the true test of the value of any payment for goods or services made to them, and is, therefore, the natural standard of value. For instance, it would afford no decisive or satisfactory information respecting the degree in which labourers were well or ill paid, in any country, if it were merely stated that they received so much gold, or so much silver, without anything else being taken into the account. This statement would, evidently, be incomplete and indecisive, unless the price of provisions were also given. It is this which would really and ultimately determine the value of the wages paid them. We could not safely conclude that a man who receives 5s. a day in one country was twice as well paid as another who, in another country, received only 2s. 6d. a day—for it might happen that the man who received but 2s. 6d. actually received

more value than the other; inasmuch as, while receiving less silver, he was obtaining more bread and cheese. The standard of the value of the remuneration is, unquestionably, therefore, neither silver nor gold, but subsistence, which, if expressed by one commodity, is best expressed by that which is, emphatically, the staff of life, corn.

Proper characteristics of a standard.

Further—the *standard* of any quality is that, which, upon being appealed to, finally and absolutely decides, without the necessity of any further reference, respecting the degree of that quality in other objects. No appeal lies from its decision, or it could not be the standard. If further reference have to be made, then *that* is the standard to which *ultimate* reference must be made. Now, we have seen, that gold and silver do not ultimately determine the point of value—they are not, therefore, *standards* of that quality. But corn is, for no reference beyond it can be made. The degree in which any person, or class of persons, is able to procure the necessaries, conveniences and luxuries of life, is an unfailing index of the value of the payments made to him, or to them, by society. It is not possible to go beyond this.

Difference between a standard and a measure.

But some persons, from not distinguishing between the character of a *standard* and that of a *measure* may imagine that the fluctuating nature of the supply of corn from season to season must quite unfit it for a *standard of value*. Not so; this circumstance only

CHAP. IV.

Standard of English measure.

unfits it for a practical measure of value, but does not disqualify it for a standard, for it by no means follows that, because a thing is unfit for a measure, it is therefore unfit for a standard. A barleycorn is the original standard of the English measures, inch, foot, and yard, yet no one thinks of using barleycorns as *measures* of length. So likewise with corn; though it is the only true and proper *standard* of value, it cannot be conveniently used as a common *measure* of value. Were we writing an essay on the currency question, we should have to enter largely into this point; but, as we have at present merely to touch upon it incidentally, we content ourselves with recommending any of our readers who may wish to see this part of the subject largely and fully discussed, to make themselves acquainted with the able works of Mr. John Taylor, especially his 'Essay on the Standard and Measure of Value,' 'Essay on Money,' and other works, in which all the branches of monetary science are investigated, and its true principles developed with great acumen and scholarship. This is not necessary, however, for our present purpose. We are merely desirous, just now, of so far alluding to these things, as to enable us to judge of the real value in the necessaries and conveniences of life, which the Country received for the debt which it contracted, taking wheat as their proper exponent. To this immediate point we now address ourselves.

John Taylor's Essay on the Standard of Value.

During the century which elapsed from the com-

mencement of the debt to the beginning of the French revolutionary war, the average price of wheat was, as nearly as possible, 36s. per quarter or 4s. 6d. a bushel. The debt contracted during this period stood, nominally, at the beginning of 1793, at £229,614,496, from which we must deduct £29,119,710, being the amount artificially added to the debt by the mode of borrowing adopted. This will leave a balance of £200,494,786, which, being reduced into wheat at 36s. per quarter, gives the real sum borrowed, in the necessaries of life, as 111,385,992 quarters of wheat.

Price of wheat before 1793.

From 1793 to 1816, the price of wheat may be reckoned at about 80s. per quarter. The debt contracted during this period, was, as we have seen in a former chapter, *nominally* £586,697,433, but *really* only £339,131,500; which also being reduced into quarters of wheat at 80s. a quarter, gives a further amount borrowed of 84,782,875 quarters; and, adding this to the former amount, we arrive at a grand total of 196,168,867 quarters of wheat as the real, true, and just amount of our National Debt, as it stood at the close of the French war, if measured in the real and natural standard of value. It is this, or the equivalent of this, that the fundholder parted with to become the creditor of the nation, and to the repayment of this, he is, at least, fairly entitled, if the contract with him be, as Colonel Thompson expresses it, 'substantially fulfilled.'

Price from 1793 to 1816.

What strikes us the most forcibly in this view of

CHAP. IV.

Corn value of the Debt.

the case, is this:—That though we are accustomed to look at that portion of the Debt which was contracted between 1793 and 1816, as of far greater magnitude than that which previously existed, seeing it stands recorded as 586 millions sterling, while the previous debt was only 229 millions, yet it is, in truth, of much less amount, being only as 84 millions of quarters of wheat in the latter period to 111 millions of quarters in the former. The overwhelming burden of our debt does not arise from the magnitude of the amount most recently borrowed, as is generally supposed, but from the financial and monetary mismanagement of our statesmen.

Real value of Debt in 1797.

Further, it appears that the whole real value of the debt contracted previously to the Bank Restriction Act of 1797, was £200,494,786 in money, and equal to 111,385,992 quarters of wheat. Taking the money value at which this now stands recorded to the credit of the fundholder, namely £229,614,496, and reckoning it in wheat at its present price of three bushels to the pound sterling, or £2 13s. 4d. a quarter, it would not amount to more than 86,105,436 quarters of wheat, which would be less than the fundholders of the eighteenth century lent, and in favour of the Country, to the amount of 25,270,556 quarters of wheat; which, at the present price, would be equivalent to £67,388,149 6s. 8d. sterling.

On the other hand, it appears that the whole real value of the debt contracted between 1797 and 1816,

was £339,131,500, or 84,782,875 quarters of wheat; that this sum now stands to the credit of the fundholders at £586,697,433 stock; that this is worth, at 90, the present price of consols, £528,011,490, and in wheat 198,004,308 quarters; a balance of 113,221,433 quarters of wheat, or £301,923,821 6s. 8d. in money;* *against the Country* and in favour of the fundholders of the present century. This is the amount which has been artificially added to the weight of the National Debt, by the mode of borrowing adopted, and by the change in the value of the pound made by the Currency Acts of 1819 and 1844.

The fundholder of the last century no cause to complain.

We are not, however, to conclude, that because the fundholders of the last century could now only obtain 86,105,436 quarters of wheat instead of 111,385,992 quarters, the amount originally lent, they are, therefore, underpaid, and that a balance is fairly due to them. This is not the case, as a very few words will make plain. That they cannot now obtain so much corn with the dividends received by them, is owing to circumstances which affect every other British subject as well as themselves, and the effects of which, they are bound to participate in as well as everybody else. What is it that causes their pounds to be of diminished value? What lessens their purchasing power? Is it not the rise that has

* Reckoning the value of 113,221,433 quarters of wheat at the present price of 53s. 4d. a quarter.

CHAP. IV.

taken place in the price of wheat and other commodities? And what has caused this rise? Is it not the expenses entailed upon the community at large by the wars which have caused heavy taxes necessarily to be laid upon commodities to meet those expenses? Is not every one else now obliged to pay 53s. 4d. a quarter for wheat, instead of 36s., the price at which the money was borrowed? There is no diminution in the value of the pounds they lent, other than that they purchase less commodities because these commodities are enhanced in price by taxation. And this is a loss that every one, fundholder or not, is obliged to bear: and the fundholder of the 18th century has no more reason than any one else to complain that his pound of dividend will not realise him as much of commodities as it did during the century in which he lent it.

CHAPTER V.

HISTORY OF THE DEBT FROM 1816 TO 1857.

Alterations in the debt.

HAVING traced the real value borrowed by the Nation in the contraction of the National Debt up to the year 1816, we now resume its history from that period to the present time. We shall state the principal alterations which have been made, having reference to the debt, as nearly as possible year by year, as we think that that will be the most clear and convenient mode of proceeding.

Irish and English Exchequers.

1817. The English and Irish Exchequers were consolidated, in pursuance of the bill passed in the preceding session of Parliament, for that purpose.

Raising of £3,000,000.

1818. £3,000,000 were raised for the service of the State, by increasing the interest payable on a certain portion of the debt, but without increasing the capital of that portion. This was effected by transferring £27,000,000 of 3 per cent. stock into 3½ per cents., the parties subscribing for such 3½ per cent. stock paying a sum of £11 as a premium for

CHAP. V.

each £100 3 per cent. stock so converted into 3½ per cent. At the same time provision was made for the funding of £27,000,000 of Exchequer Bills. The Chancellor of the Exchequer, in proposing these measures, said, that 'the addition to the funded debt 'in consequence of the propositions which he had to 'submit would be about £34,900,000 of stock, which, 'however, would only produce an augmentation of 'the nominal capital of the public debt beyond the 'money actually raised to the amount of between '£4,000,000 and £5,000,000, being the difference 'between the above sum of £34,900,000 and that of 'of £30,270,000 either of money to be paid or of 'unfunded debt to be reduced.' The real result of this year's financial proceedings, including the operations of the Sinking Fund, appears to have been an increase of the funded debt of £15,124,910, it having risen from £776,742,403 on the 5th Jan. 1818, to £791,867,313 on the 5th Jan. 1819, and a decrease of the unfunded debt of £13,677,356, it having fallen from £66,772,364 in the former period to £53,095,008 in the latter.

Redemption of Stock.

1819. The financial operations of this year were the contraction of two fresh loans of £12,000,000 each; one from the Commissioners of the sinking fund; the other, by public competition. Stock was, however, redeemed by the sinking fund, and the unfunded debts reduced; so that on the 5th Jan. 1820,

the debt, funded and unfunded, was diminished by £1,573,517; the respective amounts being:—

Funded debt	£794,980,481
Unfunded debt	48,408,323
Total . .	£843,388,804

Funding of Exchequer Bills.

1820. During this year £7,000,000 of Exchequer Bills were funded in a 5 per cent. stock, £99 of such stock having been given by the Government for every £100 Exchequer Bills subscribed. £12,000,000 were borrowed from the sinking fund. We have also to record another instance of the persistence of the Government in that injudicious mode of borrowing money which we have previously seen such reason to condemn. For, in addition to the loan from the sinking fund, another loan of £5,000,000 was negotiated in a 3 per cent. stock, by which £142 4s. of stock was created for every £100 money received.

At the end of this financial year, namely, Jan. 5, 1821, the funded debt stood at £801,565,310 and the unfunded debt at £43,535,621, being an increase upon the whole of £1,712,127.

Bank of Ireland.

1821. During this year an increase was made to the debt, by an increase of the capital of the Bank of Ireland, amounting to £5,000,000 Irish currency. There was also a loan from the Commissioners of the sinking fund of £13,000,000.

CHAP. V.

Diminution of Debt.

Reckoning, on the other hand, the redemption of the debt by the sinking fund, and the diminution of the unfunded debts, there appears to have been, on the balance of the year, the favourable result of a diminution of the funded and unfunded debts of £13,543,448 the amount on the 5th Jan. 1822, being £831,557,493 against £845,100,931, the amount at the corresponding period of the preceding year.

Reduction of Navy 5 per Cents.

1822. In this year, the operation was effected of reducing the navy 5 per cents. to 4 per cents; the result of which was to secure an annual saving, including the charges of £1,230,000; but increasing, on the other hand, the nominal capital of the debt, by £7,472,423 sterling. At the same time the Irish 5 per cents. were reduced in the same manner.

At the end of the financial year there was only a net increase of the funded and unfunded debts to the amount of £1,734,589, though, in addition to the above-named artificial increase of the capital of the debt, there was another similar increase of £2,365,655 by transference of 3 per cent. stock on account of the East India Company. This generally favourable result was owing to the operation of the sinking fund.

Amount of funded and unfunded debts Jan. 5, 1823, £833,292,082.

Alteration of the Sinking Fund.

1823. The year 1823 was a very busy and important financial year. In the first place, the principle

upon which the revenue of the sinking fund was founded, was entirely altered; but, as the alteration thus effected will have to be more fully described when we treat of the Sinking Fund, we shall not now more fully allude to it. In the second place, this was the year in which the annuity commonly called the 'Dead Weight' had its origin. This annuity was the result of an attempt to distribute more equally, through a number of years, the burden of the naval and military pensions, which had become due to those engaged in the late wars, or to their families. The amount of these pensions was about £5,000,000 annually, and the object of the then Chancellor of the Exchequer, Mr. Vansittart, was to mitigate that burden for the time being, by throwing a portion of it upon posterity.

Annuity proposed by Vansittart.

It must be understood, that though these pensions were heavy at the time, yet, being for lives, they would, in the natural course of things, have become less and less burdensome every year, by the progressive falling in of the lives of the parties interested in them; but the Chancellor was indisposed to wait for this, and his first proposition was for Parliament to grant a fixed annuity of £2,800,000 for 45 years, to those parties who would undertake to pay into the Treasury, year by year, during the 45 years, such sums as would, according to the tables of mortality then existing, be sufficient to pay the pensions which would become payable in each year by the State.

CHAP. V.

Failure of Mr. Vansittart

The scheme was, however, an entire failure. It gave universal dissatisfaction. In vain did the Chancellor try the Bank of England, the South Sea Company, and private capitalists. Not one would take the contract, and the Chancellor was obliged to withdraw the scheme, as no one would meddle with it in the shape first presented.

The Dead Weight.

Mr. Vansittart subsequently brought forward a second plan, which was partially successful. This was, to invest in the hands of trustees an annuity of £2,800,000 for 45 years, to be derived from the consolidated fund, and the trustees were to provide the funds necessary to pay the annual pensions, by selling portions of this annuity when they found it necessary to do so. The Bank of England contracted for a portion of this annuity; that is, they purchased from the Trustees to the extent of £585,740 per annum, which amount the Bank of England still receives and will continue to do so until the year 1867, when the annuity expires. This is the annuity commonly known by the name of the Dead Weight. The funded and unfunded debts at the end of this year amounted to £831,063,786, showing a decrease, during the year, of £2,228,296.

The Emperor of Germany's debt commuted.

1824. During this year an arrangement was made with the Emperor of Austria, by which the debt, commonly called the Emperor of Germany's debt, and which had been incurred by money raised in

London for his use in the years 1795 and 1797, was commuted. The principal of the debt amounted to about £6,000,000, and it was now agreed to accept £2,500,000 from the Emperor of Austria in full discharge of our claim. The arrangement being made, it was transferred and made part of our own debt by incorporating it with the 3 per cent. consols. The amount actually paid into the Exchequer did not exceed £2,200,000, the remainder being deductions by way of discount and per centages. We therefore took upon ourselves a burden of about £6,000,000, for the sake of £2,200,000. Out of the money thus received £300,000, was appropriated to the repairs of Windsor Castle, and £500,000 to building new churches.

Reduction of 4 per Cents.

In this year, also, the 4 per cents., amounting to about £75,000,000 were reduced to $3\frac{1}{2}$ per cent. saving on the annual charges arising from a capital of £75,000,000, the sum of £375,000 per annum, and without increasing the nominal capital of the debt.

Prosperity in 1824.

This was a year of great commercial prosperity; and the finances of the Country participated in it to a great extent, the reduction of the debt funded and unfunded being no less than £13,381,681, the amount on the 5th Jan. 1825, being £817,682,105 against £831,063,786, the amount on the preceding 5th Jan.

1825. Nothing affecting the National Debt oc-

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CHAP. V.

curred this year worthy of record; notwithstanding that, in other respects, it was a year of great financial excitement.

Mr. Hume's Resolutions.

1826. In strong contrast to the preceding year, the year 1826 was remarkable for the length and frequency of the debates in Parliament upon the financial condition of the Country, and the minuteness with which every matter touching the National Debt, taxation, and revenue was investigated and discussed. The Chancellor of the Exchequer encountered the strongest opposition upon presenting his budget. The accuracy and truth of his statements were impugned both by Mr. Maberly and Mr. Hume; the latter of whom brought forward a string of forty-five resolutions, embracing almost every subject connected with the finances of the Nation, asserting, among other things, that there had been no reduction whatever in the amount of the National Debt since the war; denouncing the sinking fund and the principles upon which it was founded; and reprobating, in strong terms, the arrangement made for the payment of the Naval and Military pensions. Much error was mixed with much truth in Mr. Hume's assertions and resolutions, and the Chancellor succeeded in carrying his Budget. The resolutions of Mr. Hume, as far as they concerned the sinking fund, were very admirable, and corroborate the remarks we have made respecting the injudicious mode adopted by the

Government in contracting the loans. These resolutions we shall give *in extenso,* when we come to treat of the sinking fund.

The debts funded and unfunded amounted, at the close of the financial year, to £811,896,834.

1827. Nothing of financial importance this year.

Debts funded and unfunded £807,744,338.

1828. In this session of Parliament there was another change proposed respecting the amount to be in future devoted to keeping up the sinking fund: this alteration we shall explain when treating of that fund.

Proposed alteration of Sinking Fund.

Debts funded and unfunded £804,782,428.

1829. During this year Exchequer bills were funded to a considerable extent.

Funding Exchequer Bills.

Debts funded and unfunded £800,728,375.

1830. In this year, the operation was effected of reducing the new 4 per cents. to a 3½ per cent. stock, diminishing the annual charge of the public debt by the amount of £777,443.

Reduction of New 4 per Cents.

1831, 1832, 1833. Nothing to record.

1834. The 4 per cents. of 1826 were this year reduced to 3½ per cents., and added to, or consoli-

Reduction of Old 4 per Cents.

CHAP. V.

dated with the New 3½ per cents.; but the dissentient holders of this stock were so numerous, that the Chancellor of the Exchequer was obliged to make application to the Commissioners of the sinking fund for pecuniary assistance, to enable him to pay them off. By this aid he was enabled to complete the operation. The stock held by the dissentients amounted to £4,600,000. To pay this off, a resolution was passed on the 9th of June, directing the Commissioners for the Reduction of the National Debt to pay the amount out of the funds held by them under the Savings' Bank Act: and that the dissented stock should, from the 10th October following, be deemed to be converted into an equal amount of New 3½ per cents., which was accordingly done.

Emancipation Grant.

In this year also, arrangements were made for the grant of £20,000,000 sterling to the West India planters for the emancipation of the slaves. The payment being made in some degree conditional upon the *bona fides* of the planters; deferred interest was to be provided for by unpaid balances from the 1st August, 1834. The payments on account of this compensation-money extended, therefore, through several subsequent years.

Funding of Exchequer Bills.

1835 — 1839. Nothing of financial importance affecting the debt occurred until this latter year, when £4,000,000 of Exchequer Bills were funded. The Bank of England subscribed half a million ster-

ling of these bills, for every £100 of which it received £109 5s. 2d. of a 3 per cent. stock. The remaining £3,500,000 were subscribed by the public, but upon terms slightly less favourable to the Country, £110 of stock being given for every £100 of Exchequer Bills subscribed.

Debts funded and unfunded, 5th January, 1840, £793,255,448.

Reduction of 3½ per Cents.

1840—1844. In the latter year, the 3½ per cents., amounting to about £250,000,000, were converted into a 3¼ per cent. stock, with a further prospective conversion into a 3 per cent. stock in the year 1854. This reduction was accompanied, however, with a guarantee against any further reduction or redemption, until after the year 1874. The diminution in the charges of the debt, thus effected, would, it was calculated, be £625,000 per annum in the year 1854.

Debts funded and unfunded, Jan. 5th, 1845, £794,731,615.

Distress in Ireland.

1845, 1846, 1847. The next important occurrence affecting the amount of the debt was the provision made in 1847, for alleviating the distress in Ireland caused by the failure of the potatoe crop. The sum of £8,000,000 having been granted out of the consolidated fund for the relief of this distress, a loan to that amount was negotiated with the two houses of

CHAP. V.

Rothschild and Baring. The same system of creating more debt than the amount of money received was still persevered in, £89 10s. of money only being received for every £100 stock created. This was strongly animadverted upon by Mr. Hume and Mr. Williams at the time, who objected to the Country being saddled with a debt of £8,938,947 for £8,000,000 money received.

Debts funded and unfunded, January 5th, 1848, £796,612,497.

1848. Authority given by the House of Commons to raise £2,000,000 by Exchequer bills or by loan.

Debts funded and unfunded, £797,792,749.

1849. Nothing occurred affecting the debt.

Mr. Gladstone's plan.

1850—1854. Mr. Gladstone brought forward a plan for the conversion of South Sea and other minor Stocks into New 3½ and 2½ per cents., which, however, was not very successfully carried out. He likewise introduced an entirely new species of security, namely, Exchequer bonds to bear interest at the rate of 2¾ per cent. for a period not exceeding 10 years, and 2½ per cent. afterwards, payable half-yearly. The Bonds were to be, for a period not exceeding 40 years, irredeemable; after that time, they were to be redeemable at par, either at the option of the Government alone, or at the option of

the Government and the holder of the Bond as might ultimately be decided upon.

Debts funded and unfunded :—

Funded . . £751,645,818 on 31st March, 1855.

Unfunded (?)*

Loan for the Russian war in 1855.

1855. We now come to the loan of £16,000,000, raised for the purpose of carrying on the late Russian war, and in this, one of the latest affairs of the kind, we rejoice to find the nearest approach yet made to the proper mode of borrowing money by the Government, when the stock in which it is raised is of a lower denomination than will secure its being subscribed for at par. The terms upon which this loan was negotiated were: £100 money to be received by the Government for every £100 stock created; but, as a 3 per cent. stock was not worth £100 in the market, the extra price required was given in an annuity of 14s. 6d. per cent., terminable in 30 years. This, we repeat, was a great improvement upon previous modes of borrowing. We hold, that, notwithstanding the slightly less favourable terms in which money may be raised, yet the true and sound principle is, in any case, to get a stock subscribed for at par at least, and to pay a higher rate of interest, if money be dear at the time. It is the plain, simple, and straightforward way of proceeding; and it gives the minister the opportunity, when money falls in

* Reliable authority for this amount was not accessible in time for publication.

CHAP. V.

value, of reducing the interest on the stock without the least semblance of injustice—paying a high price for that which is dear while it is dear, and paying a lower price for it when the article falls in value. The next best plan to this, is probably that adopted by the Chancellor of the Exchequer, Sir G. C. Lewis, in this case; namely, the partial adoption of the principle of terminable annuities to supplement the stock given when £100 of that stock is not worth £100 in the market. Terminable annuities, it would indeed be advantageous to the nation to give altogether for money raised by loan; but it is found, in practice, that money to any very great extent, cannot be raised in this way unless upon the most exorbitant terms; as it is a security which is not acceptable in the market, constantly and surely declining in value as is inseparable from its nature.

Provision for redemption of debt.

To this loan of £16,000,000 was attached a provision for its redemption, somewhat after the nature of a sinking fund. It was made imperative upon the minister of the day, within twelve months after the conclusion of peace, to provide a sum of £1,000,000 per annum for the purpose of gradually extinguishing this addition to the National Debt.

The table, pp. 66, 67, taken from Ayres' 'Financial Register,' a valuable work recently published, shows the payments to be made in accordance with the terms of the Act authorising the loan; also payments on account of two subsequent loans, and Mr. Gladstone's Exchequer Bonds.

Loans since 1855.

1856. Since the £16,000,000 loan was contracted, two other loans of £5,000,000 each have been negotiated; in raising which the Government have again resorted to the old mode of creating more stock than the amount of money received. The first of these loans has added £555,416 13s. 4d. unnecessarily to the capital of the debt £111 2s. 2d. of 3 per cent. stock having been created for every £100 money received. By the second loan of £5,000,000 the sum of £376,458 6s. 8d. has been thus factitiously added—£107 10s. 7d. of stock having been created for £100 money. At the same time that the first loan of £5,000,000 was negotiated, £3,000,000 of Exchequer Bills were funded on terms which added £333,250 of artificial capital to the amount of the Debt. By these transactions, therefore, the sum of £1,265,125 has been added to the Debt beyond money received.

Foreign guarantees.

In addition to the foregoing responsibilities we have guaranteed, conjointly with France, a loan of £4,000,000 to the Turkish Government, for which Messrs. Rothschild were the contractors, in August, 1855.

Sardinian Loan.

On the other hand, we have lent to Sardinia £2,000,000, from the Consolidated Fund, at 3 per cent. interest. A small portion of this has been repaid; the balance still owing stands to our credit; and may, therefore, be considered as lessening the real balance of the National Debt by its amount.

CHAP. V.

Return 'showing the Liabilities in respect to Debts, Funded and Unfunded, Acts 17 Vic. c. 23; 18 Vic. c. 18; 18 & 19

In what year payable.	Exchequer Bonds.	LOANS.		
		Act 18 Vic. c. 18.	Act 19 Vic. c. 6.	Act 19 Vic. c. 21.
Sterling.	£7,000,000.	£16,000,000.*	£5,000,000.	£5,000,000.
	Act 17 Vic. c. 23.			
1857	2,000,000			250,000
1858	2,000,000	1,000,000	250,000	250,000
1859	2,000,000	1,000,000	250,000	250,000
	6,000,000			
	18&19Vic. c. 130.			
	1,000,000			
1860	. . .	1,000,000	250,000	250,000
1861	. . .	1,000,000	250,000	250,000
1862	. . .	1,000,000	250,000	250,000
1863	. . .	1,000,000	250,000	250,000
1864	. . .	1,000,000	250,000	250,000
1865	. . .	1,000,000	250,000	250,000
1866	. . .	1,000,000	250,000	250,000
1867	. . .	1,000,000	250,000	250,000
1868	. . .	1,000,000	250,000	250,000
1869	. . .	1,000,000	250,000	250,000
1870	. . .	1,000,000	250,000	250,000
1871	. . .	1,000,000	250 000	250,000
1872	. . .	1,000,000	250,000	250,000
1873	. . .	1,000,000	250,000	250,000
1874	. . .	. . .	250,000	250,000
1875	. . .	. . .	250,000	250,000
1876	. . .	. . .	250,000	250,000
1877	. . .	. . .	250,000	. . .
1878 to 1885	. . .	. . .	. . .	. . .
From 1886	. . .	. . .	. . .	. . .

* A Terminable Annuity of £116,000 is payable in respect of the loan of £16,000,000 in Consols, per Act 18 Vic. c. 18, which will cease in 1885.

In addition to the above liabilities, the Funded and Unfunded Debts have

1st. The Funded Debt has been increased by a funding of £3,000,000 of

2nd. Exchequer Supply Bills issued, viz.: outstanding at the previous to the commencement of the

Ditto Increase, bearing interest

Annual charge at the

TREASURY CHAMBERS, 17*th February*, 1857.

incurred for the service of the War, to be redeemed in pursuance of the CHAP. V.
Vic. c. 130; and 19 Vic. c. 6 & 21.

Principal payable in each year.	Charge in each year for additional Funded and Unfunded Debt, calculated at existing rates.	Total Sum payable in each year.	Years.
	£1,460,500.		Sterling.
2,250,000	1,421,000	3,671,000	1857
3,500,000	1,324,000	4,824,000	1858
3,500.000	1,207,000	4,707,000	1859
2,500,000	1,108,000	3,608,000	1860
1,500,000	1,043,000	2,543,000	1861
1,500,000	997,000	2,497,000	1862
1,500,000	950,000	2,450,000	1863
1,500,000	903,000	2,403,000	1864
1,500,000	856,000	2,356,000	1865
1,500,000	810,000	2,310,000	1866
1,500,000	763,000	2,263,000	1867
1,500,000	716,000	2,216,000	1868
1,500,000	669.000	2,169,000	1869
1,500,000	623,000	2,123,000	1870
1,500,000	576,000	2,076,000	1871
1,500,000	529,000	2,029,000	1872
1,500,000	481,000	1,981,000	1873
500,000	451,000	951,000	1874
500,000	437,000	937,000	1875
500,000	423,000	923,000	1876
250,000	411,000	661,000	1877
	407,500	407,500	1878
. . .	291,500	291,500	to 1885
. . .	. . .	. . .	From 1886

been increased since the commencement of the war, as follows:—

Exchequer Bills, the annual charge of which is		£99,997
present date	£21,049,700	
war (April 1st, 1854)	16,008,700	
at 2½d. per cent. per diem		£5,041,000
present time		191,558

JAMES WILSON.

CHAPTER VI.

CHANGE PRODUCED BY THE NATIONAL DEBT IN THE SYSTEM OF TAXATION OF THE COUNTRY.

CHAP. VI.

Ancient Taxes Direct.

PREVIOUS to the formation of the National Debt, the taxes imposed upon the people were, principally, of a direct kind, such as subsidies, fines, hearth-money, first-fruits and tenths, land taxes, poll taxes, etc.; the only indirect taxes being some small customs' duties under the heads of tunnage and poundage; unless, indeed, we consider that the sale of monopolies, which was practised to a considerable extent, partook of the nature of indirect taxes. But, concurrently with the contraction of the Debt, was established a great and permanent alteration in the system of taxation, namely, the change from a system of almost entire direct taxation, to one in which the principal part of the revenue was obtained by means of duties placed upon commodities. For this change we are, in the first instance, indebted to the Long Parliament, which, in 1643, commenced the system of excise duties by levying them upon liquors, and afterwards extending them to other articles. There was, indeed, at the time, a solemn declaration made,

Change to Indirect Taxation.

that the excise duties should last no longer than the war—that, at its conclusion, they should be discontinued; but the system was found too convenient to allow of this engagement being faithfully observed. In the meantime, the National Debt gradually arose; and, instead of the abolition of the excise being effected, it was found not only necessary to continue it, but to extend it much in the same proportion in which the debt was increased.

Excise Duties.

During the reigns of William III., Anne, George I., George II., and the first fifteen years of that of George III., the excise duties nearly sufficed to meet the payments on account of the Public Debt. But the almost constant state of war in which the country was involved during the subsequent portion of George III.'s reign, and the rapidity with which the Debt accumulated, rendered the excise duties at last utterly inadequate to meet the charges of the Debt, which now well-nigh absorbed the whole of the customs' duties also. The following tabular statement will show up to what period the excise almost sufficed to meet the payments on account of the debt:—

Reign of	Payments on account of the Public Debt.	Received from Excise Duties.
William III.	£13,961,458	£13,649,328
Anne . .	22,523,351	20,859,311
George I. .	41,218,879	about 32,000,000
George II. .	93,347,134	93,747,167
George III. 1762	annual. 4,840,821	annual. 4,592,528

CHAP. VI.

at about which comparative amounts, these items remained till the American war broke out in 1776.

Excise Duties in 1790.

At the conclusion of the American war in 1790, we find that the excise duties are no longer able to meet the charges on account of the debt; for, while the annual interest of the debt has advanced to £9,669,435, the excise duties reach only to £6,707,555, leaving a deficiency of £2,961,880 on the year; and the disproportion becomes greater and greater, until at last, in the year 1816, we find that though the excise and customs' duties have advanced to the enormous sum of £34,000,000, yet the interest of the huge debt well nigh swallows up the entire amount.

Comparison of Direct and Indirect Taxes.

Had the change thus effected been merely that of the substitution of indirect taxation for direct, as the main source of revenue, we should not have thought it worth while to have made it a branch of our investigation; there being good grounds for contending, that indirect taxation, abstractedly speaking, is not, *per se*, more obnoxious to objections than direct taxation is. Many and forcible are, no doubt, the objections to taxes levied upon the products of industry; but there are as many others, and those equally forcible, to taxes levied upon property or upon income. However equitable, theoretically speaking, the latter system may be, there are fatal and almost insurmountable objections to it in practice. In the first place, even those who most approve of it, as

respects the equity of the principle, have yet the most unconquerable aversion to the carrying of it out into practice. So strongly was this feeling of aversion manifested at the beginning of the last session of Parliament, that the minister was obliged to give way, and to adopt a reduced rate of income tax. The privacy of one's own affairs, also, a thing dear to Englishmen, is so rudely disturbed by it, that it appears a kind of sacrilegious violation of its sanctity. Englishmen, in fact, revolt against it in their inmost feelings. In the second place, it is justly obnoxious to the charge of being liable to great evasion—that it proves, in practice, to be unjust, while it is most equitable in theory. It is, indeed, notorious, that the tax is not paid in fair proportion to their ability by those who contribute to it. Contrary to all sound policy, the conscientious members of society are mulcted to a much greater extent than the unscrupulous; and a premium is unavoidably held out to dishonesty and trickery. The *Times* of February 5th, 1857, has the following remarks on this point:—

The *Times* on the Income Tax.

'Shall we make it (*i.e.* the income-tax) permanent? 'That would be to make injustice, impolicy, and 'discontent permanent—to attach a character of 'durability to measures only tolerated upon the 'express assumption of their being transitory. Look 'at the debates on Tuesday evening, and observe the 'terms in which the tax is spoken of. Look at the

CHAP. VI.

'speeches made all over the country respecting it—'the notorious inequality of its incidence, and the 'impossibility (as it seems to many) of finding any 'way to equality. What shall we do with it, then? 'What its very nature and character suggests—keep 'it for times and seasons as exceptional and as ano-'malous as itself—for periods when money is wanted 'in mighty lumps, aad when, so long as it is found, 'nobody asks how—in other words, for the needs of 'war.'

Antagonism of Taxation and Currency.

It is not, therefore, in consequence of any opinion that we entertain, that direct taxation is practically superior to indirect, that we characterise the change from direct to indirect taxation, as one of the most momentous results arising from the formation of the National Debt, but because the consequences of such change did not stop at this. The mere substitution of the one for the other would have been, comparatively, a minor matter, and but of little importance; but mighty results have followed, little dreamt of at the time, and even as yet but very imperfectly understood. These results are, first, the antagonism produced between our systems of Taxation and Currency by the change. Secondly, the withdrawal of a great proportion of the credit-circulation of the country, by the permanent establishment of the corporation of the Bank of England as a creditor of the nation. And, thirdly, the disadvantages with which we have been made to contend in the prosecution of

our foreign trade. To produce a conviction in the mind of the reader, of the truth and soundness of the conclusions we are prepared to draw from these important facts, and to understand their full bearing, it will first be necessary to refer to certain well-established principles, which never fail, when properly stated, to carry conviction with them, and without which we should become entangled in endless perplexity.

CHAPTER VII.

THE ANTAGONISM PRODUCED BY THE NATIONAL DEBT BETWEEN OUR SYSTEMS OF TAXATION AND CURRENCY.

CHAP. VII.

Indirect Taxation.

'INDIRECT taxation;' what is it?

Answer. Taxation imposed, not *directly*, but *indirectly*, upon the parties who are intended to pay it. The precise difference between direct and indirect taxation, is just this:—That the direct tax is levied immediately upon the individual who has to pay it, without the intervention of any other person; while the indirect tax is not so levied, but is first charged upon some other person, who has to transfer it to the individual on whom it is intended ultimately to fall. It is therefore called '*indirect*,' because it arrives *indirectly*, and through the medium of another, at the party really aimed at by the tax, the vehicle of conveying it to the ultimate payer being the goods on which the tax is placed, in the shape of excise or of customs duties.

Influence of Taxes on Prices.

The necessary and contemplated result, then, of this kind of taxation is, that the price of goods is increased by the duties placed upon them; and it

must be borne in mind, that these duties do not operate merely to the extent of the express tax upon any given commodity, but with all the multiplied force derived from the various duties imposed upon almost every article used in the manufacture of the commodity. Observe how the system operated under the accumulated duties placed upon every article during the great French war, to meet the enormous charges of the debt created by that war. Take the article soap, for instance; the express duty upon it was 3d. per pound, but this was not the full extent to which indirect taxation affected the price of soap; the soap had to be made in a factory, almost every article used in the construction of which, was taxed; taxed bricks—taxed timber—taxed glass, and so on. All the raw materials of which the soap was composed were taxed; taxed tallow—taxed barilla—taxed salt, etc. The workmen making the soap lived in taxed houses, and had to consume taxed articles of all descriptions for their support; and these multiplied duties all entered into, and formed component parts of the price of the soap, which, consequently rose from 7d. or 8d. per pound, to 1s., and even more. CHAP. VII.

That which holds good with regard to soap, applies also to every article manufactured or produced under the same conditions. The necessary, just, and undisputed effect, therefore, of a system of indirect taxation, is to raise the prices of commodities in any Soap an example.

CHAP. VII.

community in which it is employed; and that, in proportion to the pressure and extent of such taxation. If any steps are taken by which such rise in prices as indirect taxation calls for, is prevented taking place — if any arrangements are made, by which such results are defeated — this injustice is committed,—that the tax is made *to stop at the party upon whom it is first levied,* he being thereby debarred from transferring it to the party who ought to pay it, and upon whom, professedly, it is levied. This is unjust; the *producers* of the goods are not the parties aimed at in the imposition of the tax, but the consumers of them. The producers are intended to act only as convenient mediums or instruments, by means of whom, the Government may more readily collect the duty from the consumer. In fact, they act, or ought to act, as mere tax-gatherers for the Government, it being the consumer who should, of right, pay the tax in the higher price he has to give for the article.

Producers *as producers* should not pay Taxes, only as consumers.

The first conclusion we draw, then, is this: that the indirect taxation to which the National Debt gave birth, and which progressed with the Debt, until both reached such enormous dimensions, called for and rendered necessary a proportionally higher rate of price than previously existed, for the commodities which were subjected to such taxation.

Indirect Taxation ought to enhance Prices.

This is a conclusion which, we believe, will not, by any one, be impugned; the correctness of it being

Proper effect of Indirect Taxes practically lost sight of.

universally admitted theoretically. We lament, however, to say, that, in practice, this conclusion has been very much lost sight of, and the result is, the production of a great portion of those embarrassments which afflict us as an industrial community, as our subsequent investigations will, we think, very clearly make manifest. To obtain the higher prices which indirect taxation renders necessary, the monetary system of the country must be of such a nature as will admit of these higher prices being obtained. As soon as indirect taxation began to be employed as a principal means of raising a revenue, additional facilities in the money system, in order to express and represent the higher prices became indispensable. Unfortunately for the welfare and comfort of the productive classes, a totally different policy was forced upon the Government by the circumstances of the times, and the establishment of the Bank of England, in connection with the difficulties in which that establishment shortly felt itself involved. With increasing debt, and additional indirect taxation, the facilities of the circulating medium were *contracted*. To the consideration of this point, we shall devote the next chapter.

CHAPTER VIII.

OPERATION OF THE NATIONAL DEBT UPON THE CURRENCY OF THE KINGDOM.

CHAP. VIII.

Action of the Bank on the Currency.

TO understand the effects of the National Debt on the Currency of the Kingdom, through the operation of its offspring, the Bank of England, we must take a hasty survey of the monetary system of the Country at the time of the establishment of the Bank.

Exchequer Tallies.

The legal-tender currency, or money of the Kingdom, had, from the time of Henry I., consisted sometimes of the silver coins alone, and sometimes of the silver and gold coins, together with the Exchequer Tally, which was receivable at the Exchequer in payment of taxes.

Goldsmiths' Notes.

In addition to these legal-tender moneys, there were other supplementary instruments of Exchange, which, though not legal tender, yet helped to facilitate the transactions of commerce, and to economise the use of coin. These were: — first, the notes of the goldsmiths, the bankers of that period, which notes were acknowledgments of sums deposited with

them for security; and, secondly, bills of exchange, both foreign and inland. The advantage of being able to negociate bills of exchange, as at the present day, had, however, up to this period, been confined to foreign bills; inland bills not having, hitherto, been recoverable by law, if held by any other person than the drawer. For a short period, also, another aid to the circulating medium had been employed, in the shape of Exchequer Bills of as small amounts as £5 and £10 each, and not bearing interest.

Sir W. Davenant.

We may form some idea of the quantity of these kinds of credit currency in circulation at the time of the establishment of the Bank of England, by referring to what Davenant, a member of the then Board of Trade, writing in 1698, says: — 'We had,' he remarks, 'upwards of 14,000,000 in tallies, lottery 'tickets, bank stock, malt tickets, and securities of 'the like nature, which went from hand to hand, 'having their foundation in the public faith. . . . . 'In this kind of currency,' he adds, 'the landlord 'received his rent duly, the farmer sold the product 'of his land at a high rate; wool, tin, lead, and 'leather, bore a great price; and, which was of great 'consequence, the manufactures of the kingdom 'went on cheerfully.' Again he remarks: — 'Of 'late, when the coin grew so corrupted, the gold and 'silver did, as it were, but minister in the market, 'while all great dealings were transacted by tallies, 'bank bills, and goldsmiths' notes. Paper credit did

CHAP. VIII.

'not only supply the place of running cash, but 'greatly multiplied the Kingdom's stock.'

Revolution of 1688.

A fatal blow was, however, given to the credit currency by the civil contest engendered by the Revolution of 1688. As we have already remarked, in the beginning of this Essay, the distrust and uncertainty which prevailed for many years, whether the new *regime* would be firmly and finally established, tended to throw discredit upon all securities issued by the *de facto* Government, which securities fell, consequently, to a great discount, and were bought up, as before detailed, by the Bank, the East India Company, and the South Sea Companies.

Conduct of the Bank.

As far as the Bank was concerned in this matter, it was not to blame. The Bank is not even now a national establishment, in the proper sense of the term, but a private one; and its own interests have, of course, the first claim upon its attention and its regard. If this be its duty now, it must have been pre-eminently so at its first foundation, and during the weakness of its infancy; and we have no right to expect that the Bank would have acted otherwise than it did. Its whole capital being lent to the Government at 8 per cent. interest, and, being prohibited from borrowing or owing more than the amount of its capital, as well as from dealing in any commodities except gold and silver bullion, it issued its notes for the discount of mercantile bills, and for the transaction of other banking business. This, therefore, brought a new

species of currency into circulation, which, if it had been superadded to that already existing, would have furnished those additional facilities in the circulating medium that the new system of indirect taxation required—would have materially assisted in promoting the welfare of trade and industry, and have given a stimulus to manufactures, agriculture, and commerce, which could never have been derived from the scanty resources of a mere metallic system of money. Unfortunately, however, for productive industry, the steps which the Bank found it necessary, in a short time, to take for its own safety and advantage, had a most disastrous effect upon the welfare of the productive classes, which may easily be conceived, when we state that the effect of the measures already described, and of others to which recourse was had, was to displace the old credit currency of the Exchequer to many times the amount of the circulation of the Bank itself. The Bank was not to blame for this. It had its own credit to support; and no doubt the measures which were adopted were essential for the safety of the establishment. The Bank itself shared, at first, in all the suspicion and want of confidence which prevailed throughout the nation; and it is no wonder that, when its own notes were at a discount of 20 per cent., it became a prime object with the Bank to restore the credit and value of them by helping most materially to reduce the other credit circulation of the Kingdom, in which

CHAP. VIII.

it was aided, as we have seen, by the South Sea and East India Companies.

Contraction of Currency between 1698 and 1714.

The extent of the contraction of the credit currency of the Country, thus brought about, may be judged of by the fact, that though Davenant had, in 1698, estimated it at £14,000,000, so soon after as the death of Queen Anne, in 1714, the circulation of the Bank and Exchequer Bills together did not amount to more than £6,000,000.

Injurious effects of undue contraction.

Thus did the circulating medium of the Country undergo contraction precisely at the time that the new system of taxation rendered expansion necessary, such expansion being required in order to express the higher prices which the system of placing taxes on commodities called for; thus was that antagonism between our systems of currency and taxation first engendered, which has ever since, with the exception of the period between 1797 and 1812, produced those monetary convulsions which so frequently agitate and destroy the prosperity of the industrial classes, and which will continue periodically to afflict us, as long as that antagonism is suffered to continue. The immediate effect at the time was to bring down the price of agricultural produce to a much lower point than had probably been known for hundreds of years before, and to reduce in proportion the remuneration of the agricultural interest. We append, in a note on the following page, a table constructed from the communication of

Depression of prices.

Sir G. Shuckburgh Evelyn to the Royal Society in 1798,* which goes to show that the price of wheat for 450 years previous to the establishment of the Bank had been upwards of 50 s. per quarter, reducing the money prices of the various periods into money of the present day. We do not, however, much rely upon this table, as we think that the times to which it refers are too remote, and the prices of those times too fluctuating from year to year—differing, likewise, as the prices did in different parts of the Country at the same time—to make it wise to place too much reliance upon it. But it is not necessary to depend upon this statement, as we have access to perfectly reliable accounts

* Price of Wheat per Bushel.

Years.	Recorded Price. s.	d.	Grs. in 1s. at the dif. dates.	No. of Grains in recorded price.		Proportion of Gold to Silver.		Reduced to Gold Grains.		Price in our present Gold currency. s.	d.
1250	1	7¾	Grs. 270	445	÷	10	=	44	=	7	4
1350	1	10½	„ 240	450	÷	12	=	38	=	6	4
1450	1	5	„ 180	255	÷	10	=	25	=	4	2
1550	1	10½	„ 100	187	÷	6	=	31	=	5	2
1600	4	0½	„ 96	384	÷	11	=	35	=	5	10
1625	4	11	„ 93	456	÷	13	=	35	=	5	10
1650	5	6	„ 93	510	÷	14	=	36	=	6	0
1675	4	6	„ 93	418	÷	14	=	30	=	5	0
1700	4	9½	„ 93	444	÷	15	=	30	=	5	0
										9)50	8
1720	4	4½	Average in our present money 4/1 per bushel, or 32/8 per qr.								
1740	3	8									
1760	3	9¾									
1780	4	5½									

Average price 5 6 per bushel, or 44/ per quarter, in our present money.

CHAP. VIII.

of more recent date, which quite prove the depressing effect which this contraction of the circulating medium had upon the price of wheat. Thus, if we refer to M'Culloch's *Commercial Dictionary*, we shall find, that while the price of wheat for half a century before the establishment of the Bank had been 45s. a quarter, it fell, on an average of the next sixty-five years, and until the Bank had extended its circulation by the issue of £10 notes, to 38s. per quarter—a fall of nearly 1s. per bushel, on an average, as we have said, of sixty-five years.

Lowering of wages.

The same effect was produced in labourers' wages; for, according to an average of the three authorities, Malthus, Barton, and Sir G. Shuckburgh, the wages for a week's labour, from 1646 to the end of the century, were 1 oz. 1 dwt. 3 grs. of fine silver; while, from the latter period to the year 1760, they were only 13 dwts. 9 grs. Reckoning the silver at both periods at 5s. per ounce, the wages in the first would have been 5s. 3¼d. per week; while, in the latter, they would have been only 4s. 8d. per week.

Policy of the Bank.

This, then, was a most momentous change—a change produced by the policy which the Bank of England found it necessary to pursue: and, as the Bank itself was called into existence by the National Debt, we may fairly call it a consequence of that debt. The system of indirect taxation was equally a consequence of that debt; and thus do we owe to one and the same source two conflicting and

antagonistic systems, the one of taxation, and the other of currency, whose inharmonious, and, indeed, irreconcileable operations have, we believe, produced most of the mischief from which we have so many years been suffering. CHAP. VIII.

Appendix to Chapter VIII.

Appendix.

We had intended at this point to have written a chapter upon the effect of our National Debt on our Foreign Trade, through the enhancement of the prices of our commodities by the system of indirect taxation to which the Debt gave birth. Having, however, left this to be written last, we find that we have not now time to take it up before this Essay must be delivered; and it is a subject of so much magnitude and importance, that it would require a considerable volume of itself to do it justice. We may, however, just state, in few words, our impression that the antagonism between our systems of taxation and currency has done us much harm in our Foreign Trade — that it has afforded the foreigner a much better market, in our country, for his productions, than we have enjoyed, in his country, for ours — that, by the fluctuations which are produced in the prices of commodities, combined with a fixed and unvarying quantity of gold in the English pound of account, the foreigner is enabled to secure an undue advantage in his transactions with us.

CHAPTER IX.

TWO POPULAR FALLACIES RESPECTING THE DEBT.

CHAP. IX.

Popular fallacies.

THERE are two antagonistic and conflicting fallacies respecting the National Debt, which are very prevalent. The first is, that funded property forms as much a portion of the wealth of the country, and is therefore to be reckoned among its assets, as lands, houses, or any other description of tangible property. The second, which is precisely the opposite of the former, is, that the debt is a subtraction or deduction from the wealth of the country; that the country is so much the poorer for it. Neither the one nor the other is correct; for the truth is, that the country, with the trifling exception which we shall hereafter name, is neither the richer nor the poorer for the existence of the Debt; and that, consequently, both the opinions we have mentioned as being prevalent, are erroneous; which we shall now proceed to show.

Wealth of the Country.

With regard to the first—we have seen estimates made of the total wealth of the country, in which, after the enumeration, as a portion of the wealth of

the nation, of lands, houses, raw materials, and manufactured products of all descriptions, there has been an item inserted of 'Funded Property,' which has been considered as, of itself, an actual property, separate from, and in addition to, all other wealth. Now the debt, or the funds, though a property to the parties who hold them, are not so to the nation as a whole; for they are only a mortgage upon the rest of the property of the country, and by just so much as they are property to the holders, they are an incumbrance and a diminution of the value of the things so mortgaged or encumbered.

It is precisely a parallel case to the following:—

Effect of mortgage exemplifying the Debt.

A is worth £10,000 in the shape of an estate of that value. B is worth £5,000 in money. A mortgages his estate to B for £5,000, and spends the money unproductively. Let now a valuation be made of the amount of the property of A and B jointly, and we shall find that the amount of their united wealth is just the value of the estate, and nothing more. The estate is worth £10,000, £5,000 of which belongs to B as mortgagee, and £5,000, the value of the equity of redemption, to A as mortgagor. The mortgage in no wise adds to the value of the estate; and though it is a property to B as mortgagee, it is, to the same extent, a diminution to A of the value of the estate.

It is the same with the National Debt. The whole country and its productions are mortgaged to

CHAP. IX.

the fundholder to the extent of about one-seventh of their value; and, though such funds form a property to the holders of them, they are only so in the character of a mortgage, which reduces the value of the property mortgaged to its proprietors by just the amount of the mortgage. In taking, therefore, any account, or making any valuation of, the total wealth of the country, funded property must not be put down as an item, unless you make a corresponding deduction, on the other hand, from the value of the property of which it forms a mortgage.

With reference to the opposite opinion, that the National Debt is a subtraction from the total wealth of the country; it appears to us that this opinion is almost as unfounded as the other, and would be equally so, if it were not possible that a small portion of the debt may be owned by foreigners. No doubt the country has received an equivalent, some time or other, from the foreigner, for the debt so owned by him; but as that equivalent would be included in any schedule of material property we might make, his claim, as far as it goes would be a deduction from the amount of our total wealth, and must be allowed for in making any strict and accurate calculation. But with reference to the great bulk of debt held by the people of this country, it is only, as we said before, a mortgage held by one portion of the nation, which gives that portion a right to participate and share in the general stock. A mortgage neither

makes the value of an estate or of a country more nor less; it is merely a question of the proportionate division of such estate or country among other people besides the original owners. A, before he mortgaged his estate, possessed the whole value of it—£10,000—when he mortgaged it to B, the estate remained of the same value; but that value was then divided between A and B, in portions of £5,000 each.

It is the same with the National Debt: the wealth of the country is of the value of £6,000,000,000 both with the debt and without it. The difference is, that without a debt of £800,000,000, everybody would possess his property without liability to deduction on account of the mortgage—while with it, we are annually called upon for the payment of the interest, and may be called upon, at any time, for the payment of the principal.*

The whole value of the country is possessed by the whole of its people, and that value is neither made more nor less by a change in the mode of dividing it among the people.

* Not by the proprietors of the funds, but by the Government.

CHAPTER X.

ON THE SINKING FUND.

CHAP. X.

Schemes to reduce the Debt.

IT may naturally be supposed that the 160 years which have elapsed since the commencement of the National Debt, have not been allowed to pass by without urgent recommendations having been made to attempt its reduction, and well-intended efforts to carry these recommendations into effect. As we have already remarked, in the commencement of this Essay, it was not until about the period of Queen Anne's decease, that the public debts were looked upon as being otherwise than temporary in their nature; and the consequence was, that, until that time no systematic efforts were made to effect their diminution. As soon, however, as they began to assume the character of a permanent burden upon the country, steps were taken, and attempts made, to accomplish this desirable purpose.

Plan proposed in 1716.

The first systematic attempt of the kind was made in the year 1716; for in that year, and in the preceding year, the revenue was divided into various classes or funds; each fund being charged with the

payment of certain portions of the regular disbursements of the Government. There were thus:— Firstly, what was called the 'Aggregate Fund,' upon which were charged the Civil List, the debt due to the Bank of England, and other debts; secondly, the 'South Sea Fund'; and, thirdly, the 'General Fund'; the two latter funds being principally appropriated to the payment of the interest of the South Sea debt. After this provision for the discharge of the ordinary claims upon the country, it was decided upon that a fourth fund should be formed, to be called the 'Sinking Fund,' into which should be paid all the surpluses of the other three funds. The Act of Parliament (3 George I.) which established it, described its purpose and operations thus:—

'All the moneys to arise from time to time, as well 'of the excess and surplus of an Act made this 'session for redeeming the funds of the Bank of 'England; and of the excess or surplus, by virtue of 'one other act made likewise this session for redeeming the funds of the South Sea Company, as also of 'the excess or surplus of the duties and revenues by 'this Act appropriated, as aforesaid; and the overplus moneys of the said general fund, by this Act 'established, shall be appropriated to the discharging 'of the principal and interest of such national debts 'as were incurred before the 25th of December, '1716, and declared to be national debts; and to or 'for no other use, intent, or purpose whatever.'

CHAP. X.

Sinking Fund.

This fund was, therefore, called 'The Sinking Fund,' because appropriated to the purpose of 'sinking the public debts;' and, though it is generally called 'Sir Robert Walpole's Sinking Fund,' its real author was the Earl Stanhope. The adoption of the plan by Sir R. Walpole was the cause of his name being attached to it, he being the minister at the time.

It appears to us that the idea which then prevailed was, that the cost of the peace establishment of the kingdom would not exceed £2,000,000 per annum, and that the land-tax and the malt-duty would amply provide for this expenditure, they being exempted from payment into either of the before-mentioned funds. The ordinary current expenditure of the country being thus provided for, and the civil list charged upon the 'Aggregate Fund,' it was intended that the surpluses of the other portions of the revenue should be faithfully and inviolably applied to the redemption of the public debts. And here we may remark that the Sinking Fund, at its commencement, was founded upon the true principle upon which alone a Sinking Fund can be judiciously and soundly established; namely, that of providing a surplus revenue by ordinary taxes, and not a surplus by borrowing money for the purpose. Had this principle been strictly adhered to throughout the period of the operations of the Sinking Fund, there would have arisen none of the debates and discussions

which have so long agitated the economical world, and which have called in question the propriety and soundness of any Sinking Fund, however founded. It is the principle which, having long neglected, we have of late years again reverted to, and which is in operation at the present moment.

The Sinking Fund having been thus established upon the surplus of revenue beyond expenditure, was augmented, from time to time, by the surpluses being made greater through the reduction of the interest on these National Debts. The interest on these Debts had already been reduced 1 per cent., about the time the Sinking Fund was first projected. An additional saving of 1 per cent. was effected in 1727; and in 1749 and 1750, a still further saving of half per cent., with the prospective reduction of another half per cent. in the interest of the debt, at the end of seven years, for one portion of the Debt, and of five years for another portion.

Ricardo on the Sinking Fund.

The following account of the first operations of the Sinking Fund, is that given by the eminent economist, David Ricardo, in the 'Encyclopædia 'Britannica.'

'This Sinking Fund was, for some time, regularly 'applied to the discharge of debt; the sums applied 'from 1716 to 1728, amounted to £6,648,000, being 'nearly equal to the additional debt contracted in 'that time. From 1728 to 1733, £5,000,000 more 'were paid. The interest of several loans contracted

CHAP. X.

Ricardo on the Sinking Fund.

'between 1727 and 1732 was charged upon surplus 'duties, which, according to the original plan, ought 'to have been appropriated to the Sinking Fund.

'Soon after, the principle of preserving the 'Sinking Fund inviolable was abandoned. In 1733, '£500,000 was taken from that Fund, and applied 'to the service of the year. In 1734, £1,200,000 'was taken from the Sinking Fund for current 'services; and in 1735, it was anticipated and mort-'gaged.

'The produce of the Sinking Fund, at its com-'mencement in 1717, was £323,437. In 1776, it 'was at its highest amount, being then £3,166,517. 'In 1780, it had sunk to £2,463,017. The Sinking 'Fund would have risen higher had it not been de-'pressed, especially in the latter period, by various 'encroachments; it was charged with the interest of 'several loans, for which no provision was made, and 'in 1772, it was charged with an annuity of £100,000 'granted, in addition, to the Civil List. During the 'three wars which were waged while it subsisted, 'the whole of its produce was applied to the expense 'of the war; and even in time of peace, large sums 'were abstracted from it for current services. Ac-'cording to Dr. Price, the amount of public debt 'paid off by the Sinking Fund since its first aliena-'tion in 1733, was only £3,000,000 paid off in 1736 'and 1737 — £3,000,000 in the peace between 1748 'and 1756 — £2,500,000 in the peace between 1763 'and 1775 — in all, £8,500,000.

'The additional Debt discharged during these 'periods of peace, was effected, not by the Sinking 'Fund, but from other sources.

Ricardo on the Sinking Fund.

'On the whole, this Fund did little in time of 'peace, and nothing in time of war, towards the 'discharge of the National Debt. The purpose 'of its inviolable application was abandoned, and 'the hopes entertained of its powerful efficacy 'entirely disappointed. At this time, the nation 'had no other free revenue, except the Land and 'Malt Tax granted annually; and as the Land 'Tax during peace was then granted at a low rate, 'their produce was inadequate to the expense of a 'peace establishment, on the most moderate scale. 'This gave occasion to encroachments on the Sinking 'Fund. Had the Land Tax always been continued 'at four shillings in the pound, it would have gone 'far to keep the Sinking Fund during peace in-'violate.'

This fund terminated in 1786, when Mr. Pitt's Sinking Fund was established.

Mr. Pitt's Sinking Fund.

In order to the establishment of this Sinking Fund, Mr. Pitt first appointed a Committee of the House of Commons, to enquire into the ordinary receipts and expenditure of the country. From the investigations of this Committee, it appeared, that, provided the country kept out of war, there would be an annual surplus of income over expenditure, of upwards of £900,000. This surplus he proposed to

CHAP. X.

Mr. Pitt's Sinking Fund.

increase to £1,000,000 per annum, by levying a small additional duty on spirits, by placing a new duty on powder and pomatum, and by making a change in the mode of measuring timber imported from abroad, which, together, he calculated would furnish the additional £100,000 required to make the surplus £1,000,000 annually. This surplus he proposed to vest in certain Commissioners, by quarterly payments of £250,000 each, the money so lodged with them to be laid out in the purchase of stock, in their own names, as trustees for the public. To ensure the faithful fulfilment of this purpose, he proposed that these quarterly payments to the Commissioners should take precedence of all other payments out of the Exchequer, save and except the interest of the National Debt itself.

This annual £1,000,000 was to be allowed to accumulate at compound interest, by adding the dividends on the stock which it purchased, and also by the life annuities which might fall in, until it should amount to the sum of £4,000,000 per annum. This sum, Mr. Pitt calculated that the Sinking Fund might reach, by the plan proposed, in about twenty-eight years.

The terms of Mr. Pitt's motion were, 'That the 'sum of one million be annually granted to certain 'Commissioners, to be by them applied to the pur-'chase of stocks, towards discharging the public debt 'of the country; which money shall arise out of the

'surpluses, excesses, and overplus moneys composing 'the Fund, commonly called the Sinking Fund.' CHAP. X.

This motion was carried without a division; but many very grave objections were taken to the measure by the opposition; and upon its being considered in Committee, Mr. Fox, disapproving of the arrangement by which this annual £1,000,000 was to be made unalienable from the Sinking Fund, proposed, as the best corrective or qualification of its tendency, a clause empowering the Commissioners to accept of so much of any future loan as they should have cash belonging to the public in their hands to pay for. This he thought the best counteraction of the principle which had been adopted, and of which he disapproved, namely that of making the Sinking Fund unalienable under any circumstances whatever. The clause thus brought forward by Mr. Fox, was accepted by Mr. Pitt; and the bill, having passed both Houses of Parliament, received, shortly afterwards, the royal assent. Mr. Fox's Amendment.

In the year 1792, an additional Sinking Fund was formed by devoting a portion of each loan raised, to the extent of 1 per cent. on the nominal amount of the loan. This Sinking Fund was to have special reference to the loans which might be contracted subsequent to its establishment; and by its operation it was calculated that every loan contracted thereafter might, at the very furthest, be redeemed in forty-five years from the date of its contraction. Sinking Fund of 1792.

CHAP. X.

Mr. Pitt's explanations.

Notwithstanding the impressive terms in which Mr. Pitt had brought forward his proposition for establishing his Sinking Fund, the explanations he gave of the necessity for keeping it intact, and his indignant denunciations of any parties who might hereafter divert it from its intended purpose, no long time elapsed before an important deviation from the plan laid down was effected, as the following additional extracts from Mr. Ricardo will show: —

Ricardo's history.

'In the years 1798, 1799, and 1800, a deviation 'was made from Mr. Pitt's plan of providing a Sink- 'ing Fund of 1 per cent. on the capital stock created 'by every loan; for the loans of those years had no 'Sinking Fund attached to them. The interest was 'charged on the war taxes; and, in lieu of a 1 per 'cent. Sinking Fund, it was provided that the war 'taxes should be continued during peace, to be then 'employed in their redemption, till they were all 'redeemed.

Lord Sidmouth's proposal in 1802.

'In 1802, Lord Sidmouth, then Mr. Addington, 'was Chancellor of the Exchequer. He being de- 'sirous of liberating the war taxes from the charges 'with which they were encumbered, proposed to 'raise new annual permanent taxes for the interest 'of the loans of which we have just spoken, as well 'as for that which he was under the necessity of 'raising for the service of the year 1802; but he 'wished to avoid loading the public with additional 'taxes for a 1 per cent. Sinking Fund on the capitals

Ricardo's history.

'created by those loans, and which capitals together amounted to £86,796,375. To reconcile the Stockholder to this arrangement, he proposed to rescind the provision which limited the fund of 1786 to 4,000,000, and to consolidate the old and the new Sinking Funds; *i.e.*, that which arose from the original £1,000,000 per annum, with the addition made to it of £200,000 per annum, subsequently granted, and that which arose from the 1 per cent. on the capital of every loan that had been contracted since 1792. These combined funds, he proposed, should from that time be applied to the redemption of the whole debt without distinction; that the dividends arising from the stock purchased by the Commissioners for the reduction of the National Debt should be applied in the same manner; and that this arrangement should not be interfered with till the redemption of the whole debt was effected.'

Change in 1807.

With the exception of a temporary change effected by Lord Henry Petty in 1807, and which lasted for one year, no alteration of importance was made in the Sinking Fund till the year 1813, when Mr. Vansittart reverted as nearly as possible to the original principle of Mr. Pitt's arrangement of 1792, which devoted 1 per cent. on all loans contracted to the purposes of the Sinking Fund. The arrangement of 1802 was thus superseded, so far as it went, to secure the application of the whole of the then existing

CHAP. X.

Mr. Vansittart's proposal in 1813.

Sinking Fund, and the dividends arising therefrom, to the redemption of the Public Debt; and which application for that purpose was to have continued until the whole of the then existing debt had been redeemed. The plan now adopted by Mr. Vansittart was this: that if a loan or loans for any one year exceeded in amount the sum which would be applicable in that year for the redemption of the Debt by the Commissioners, then the interest of one-half the excess should first be transferred to the Commissioners of the Sinking Fund; and that 1 per cent. upon the remainder of the loan should be payable to them, according to Mr. Pitt's previous arrangement.

The resolutions more immediately bearing upon this part of the subject were the following:—

Vansittart's resolutions.

'6. That, in order to carry into effect the pro-
'visions of the said acts of the 32nd and 42nd of the
'king, for redeeming every part of the National
'Debt within the period of forty-five years from the
'time of its creation, it is also expedient, that, in
'future, whenever the amount of the sum to be
'raised by loan, or by any other addition to the
'public funded Debt, shall, in any one year, exceed
'the sum estimated to be applicable, in the same
'year, to the reduction of the Public Debt, an annual
'sum, equal to one-half of the interest of the excess
'of the said loan, or other addition beyond the sum
'so estimated to be applicable, shall be set apart out
'of the moneys composing the Consolidated Fund

'of Great Britain, and shall be issued at the receipt 'of the Exchequer for the Governor and Company 'of the Bank of England, to be by them placed to 'the account of the Commissioners for the reduction 'of the National Debt; and upon the remainder of 'such loan or other addition, the annual sum of '1 per cent., on the capital of all perpetual redeem- 'able annuities created in respect thereof, according 'to the provisions of the said act of the 32nd year of 'His present Majesty.

'7. That, in order to prevent the increase of the 'Public Debt by means of Exchequer Bills annually 'renewed, or other unfunded Government Securities 'bearing interest, it is expedient that, on the 5th day 'of January in every year, an account be taken of 'all such Exchequer Bills and other Government 'Securities, outstanding and charged upon funds not 'deemed capable of making good the same, within 'one year from such 5th day of January; and that 'a sum equal to 1 per cent. thereupon be granted 'out of the supplies of such year to the said Com- 'missioners for the reduction of the National Debt.

'8. That for the purpose of giving effect to the 'above resolutions, it is expedient that the said Act 'passed in the 42nd year of His present Majesty be 'amended.

'9. That it is expedient to make provision that an 'annual sum of £867,963, being equal to 1 per cent. 'on the capital stock created in respect of several

CHAP. X.

Vansittart's resolutions.

'loans raised by virtue of divers Acts passed in the '38th, 39th, 40th, and 42nd year of His present 'Majesty, and for the interest and charges of which 'provision was made in the said 42nd year of His 'Majesty, shall be set apart out of the moneys com-'posing the Consolidated Fund of Great Britain, and 'shall be issued at the receipt of the Exchequer to 'the Governor and Company of the Bank of England, 'to be by them issued to the Commissioners for the 'reduction of the National Debt.'

Lord Sidmouth's arrangement rescinded.

Thus was not only Lord Sidmouth's arrangement of 1802 rescinded; but, by the seventh resolution, the unfunded Debt was made to contribute its quota of 1 per cent. to the Sinking Fund, as well as the funded Debt, which heretofore had not been the case.

Sinking Fund up to 1823.

From this time until the year 1823, no alteration of importance was made in the method of managing the Sinking Fund. In that year, however, a great change was introduced; namely, the payment to the Commissioners of a fixed sum annually out of the Consolidated Fund, in lieu of all other payments. From and after the 5th April, 1823, all stocks and annuities standing in the name of the Commissioners were to cease and determine — the stocks were to be cancelled, and the interest, of course, ceased to be paid out of the Consolidated Fund. In place of the revenue hitherto accruing to the Commissioners from these sources, a fixed annual sum of £5,000,000 was

arranged to be paid them by quarterly payments from the same 5th April, 1823.

Alteration in 1823.

The bill enacting this measure, repealed also the provision which had previously been in force, to the effect that, whenever the Commissioners became possessed of capital stock equal to that created by any loan since 1786, and which stock so possessed should yield an interest equal in amount to the charge entailed by such loan, then the stock created by such loan should be considered as cancelled. It was now, on the contrary, provided that no stock shall be cancelled 'until the interest of the Debt redeemed by 'the application of the said sum of £5,000,000, and 'of the growing interest thereof, should, together 'with the said sum, have accumulated to a sum, the 'annual amount whereof should not be less than the 'one hundredth part of the then existing unre-'deemed Funded and outstanding Unfunded Debt 'in Exchequer Bills unprovided for taken together.'

Alteration in 1829.

The last alteration which we shall have to record was consequent upon the Act of 10 George IV., cap. 27, which came into operation on the 5th of July, 1829, which enacts that the sum thenceforth annually applicable to the reduction of the National Debt of the United Kingdom, shall be the sum which shall appear to be the amount of the whole actual annual surplus revenue, beyond the expenditure of the said United Kingdom.

Having thus historically sketched the principal

CHAP. X.

Fallacy of supporting a Sinking Fund by borrowing.

changes in the mode of managing the Sinking Fund which have obtained since its first institution in 1716; having seen how utterly it has failed to diminish the Debt, the burden of which it was intended to mitigate, let us now shortly investigate its principles, with the view of discovering the cause of its failure. Through the investigations, in the first instance, of Dr. Hamilton, the fallacy of any Sinking Fund which is not entirely supported by a clear surplus revenue, unaided by money borrowed for the purpose of maintaining the said Sinking Fund, has been most clearly and satisfactorily established. We believe that all subsequent economists whose views are entitled to the slightest attention, quite agree in the conclusions at which Dr. Hamilton arrived. The matter is, indeed, palpable to the plainest understanding, that no benefit can possibly accrue to the revenue of a state by borrowing money of one set of persons, say in a 3 per cent. stock, in order to pay off the same kind of stock held by other persons. On the contrary, a loss must inevitably arise, inasmuch as the money cannot be borrowed, but by creating a greater debt than that which will be discharged by its means. We have shown, when treating of the history of the Debt, that while £100 in money paid by the Government in redeeming the Debt, only operated to discharge £163 of Debt, the very borrowing of the £100 entailed a new debt upon the country of £173, which was, in effect, adding £10 to

the capital of the Debt for every £100 so employed by the Sinking Fund. The only time at which new loans can be advantageously contracted to pay off old loans, is when the current rate of interest in the market sinks below the rate at which the loan was originally contracted. At such times, money may be borrowed at a lower rate of interest, and may be advantageously employed in paying off those loans for which a higher rate of interest has hitherto been paid. But this was not the nature of the operations of the Sinking Fund, during the time that it was carried on under Mr. Pitt's arrangement, of the devotion of 1 per cent of all loans raised to its support. It was maintained by actually creating a greater debt than it discharged; and it added, therefore, to the evil which it was professedly established to correct.

Dr. Hamilton's views.

Dr. Hamilton says, 'We are told that these operations [i.e., of the Sinking Fund] have succeeded beyond expectation, and that the whole Debt existing in 1786, amounting to £238,000,000, is already paid off. This is altogether fictitious and delusive; we may pay off as much Debt as we please at any time, by borrowing. But the only real alteration in the state of our finance, is the difference between the debt contracted and the debt paid off; and while the former of these exceeds the latter, our situation is growing worse, to the extent of that difference.

CHAP. X.

Dr. Hamilton's views.

'A private gentleman whose estate is encumbered, may, if he have any credit, pay off all his debt every year, by borrowing from other hands; but if he spend more than his free income, his embarrassments will continually increase; and his affairs are so much the worse by being conducted in this manner, from the fees he pays to his agents. The absurdity of deriving any satisfaction from this annual discharge of his debts, will appear still stronger, if we suppose him, instead of borrowing from other hands, only to renew the securities to the same creditors annually; paying a fee to the agents, and a douceur to the creditors themselves, on the renewal. All these observations are equally applicable to the debt of a nation, conducted as ours is. It would not be impracticable or very difficult, to redeem our whole debt in any year, if the measures we follow be redemption. It would only require a large loan every month, and the large sums we were thus enabled to pay, would supply the funds for these loans. Our capitalists would be well pleased to promote these loans, as they would derive *a bonus* from each. Such a system would be ruinous in the extreme; and the system we follow is the same on a smaller scale, and is, therefore, only pernicious in a less degree.

'In the year 1786, our Funded Debt was £238,000,000. We have paid all this off, but we have contracted (exclusive of the loans of 1813)

'a new debt of £574,000,000. Does not this 'amount to the same as that we have paid no 'debt at all, but contracted an additional debt of '£336,000,000.' CHAP. X. Dr. Hamilton's views.

The case, as we have seen, is worse than is here stated by Dr. Hamilton, inasmuch as the new Debt of £574,000,000 was contracted upon terms more unfavourable to the country than those upon which the old Debt of £238,000,000 was discharged were favourable.

Mr. Hume, in the session of 1826, put this matter before Parliament in a light which many persons may consider as extremely clear and convincing. He asserted:— Mr. Hume's views.

'That no nation or body corporate, in their col-'lective capacity, can derive pecuniary benefit or 'advantage of any kind, by merely trading with 'themselves; and, therefore, the Sinking Fund sys-'tem of Great Britain, established solely for the 'purpose of the nation trading in its own obliga-'tions, was founded in fallacy, and has been main-'tained by delusion. That the Sinking Fund system 'is not only useless for any beneficial purpose to the 'state, but highly objectionable from the loss it oc-'casions, and from its direct tendency to promote 'a system of speculation and gambling, altogether 'inconsistent with the well-being of the country, 'and ought, therefore, to be abolished.'

CHAP. X.

This, he said, was proved:—

'By enormous charge of management; by immense loss of actual capital between 1794 and 1817, amounting to not less than £35,000,000.

'On one occasion, Government wanted to borrow £5,000,000 only. An individual would have gone into the market, and raised that sum on the best terms he could; but because of the necessity of providing for this delusive Sinking Fund, the Government on that occasion raised a very much larger sum, and upon terms, unfortunately disadvantageous in proportion to the amount of such loan.'

Mr. Hume's resolutions.

Mr. Hume then moved resolutions to the effect:—

'1. That the deficiency of revenue as compared with the expenditure of the country from the 10th of October, 1797, to 5th January, 1817, was £393,000,000.

'2. That to supply this deficiency of £393,000,000, no less than £618,163,857 of money was raised by loans and Exchequer Bills from 1793 to 1816 inclusive.

'3. That of this £618,163,857, only £188,522,348 had been paid to the Commissioners for the Reduction of the National Debt, leaving the enormous sum of £136,641,517 totally unaccounted for.

'4. That in the year 1815, annuities of different denominations were created equal to £102,787,334 of a 3 per cent. stock, for which only £53,819,786

Mr. Hume's calculations.

'of money was received, being at the rate of £100 'of stock created for every £52 7s. 2d. of money 'received.

'5. That it appears that the Commissioners have, 'between 5th Jan., 1824, and 5th Jan., 1825, pur- 'chased £3,627,225 of 3 per cent. stock, for which 'they have paid £3,416,031, being at the rate of '£94 3s. 5d. for every £100 of such stock, at a loss 'of £41 16s. 3d. of money for every £100 of stock 'repurchased, as compared with 1815.

'In short, for about twenty-four years, while we 'had been borrowing, say at £5 5s., we had been re- 'purchasing at about £4 10s.'

We have not gone into a minute investigation of these calculations of Mr. Hume; but, on a broad and general view, they seem strongly to corroborate the calculations we have given in a former chapter, explanatory of the recklessness with which the capital of the debt was created; nor are they without their use in showing the inefficiency of the Sinking Fund in alleviating the burden of the Debt.

Present views of a Sinking Fund.

It seems now to be admitted, on all hands, that the only legitimate foundation upon which a sound Sinking Fund can be based, is that of an excess of ordinary revenue over ordinary expenditure. In order, therefore, to the carrying out of this intelligible and unimpeachable principle, it is essential that those steps be more especially taken, which tend to

CHAP. X.

Present views of a Sinking Fund.

develop and increase the general wealth of the Country. It is from the increase of this wealth that the Government alone can look for that revenue which will yield the necessary surplus for the maintenance of a Sinking Fund. All arrangements which have a tendency to hinder the production of wealth, and to prevent the constant and steady employment of laborious industry, must steadily and upon principle be discountenanced and discouraged. Every idle man is, for the time being, an unproductive consumer and annihilator of the national wealth. He consumes without producing; and it needs but the continuation of this process long enough, and by a sufficiently large proportion of the population, to bring the nation to beggary, and to annihilate the fund from which the Government can alone derive the means of either reducing the Debt, or paying its annual interest. It is by the utmost possible increase of all material productions — of course, in proper proportions to each other, and beyond the necessary consumption of the parties producing them — that the only fund can be accumulated by which the national incumbrances may be liquidated. This would doubtless, in time, be done, if unnatural hinderances and checks were not permitted to interfere; for every industrious man, sound in mind and body, has the power conferred upon him by his Maker of producing a much greater quantity of wealth of

Present views of a Sinking Fund.

some kind or other than what is necessary for the support of himself and family. It is the aggregate of such productions which forms the real annual wealth or income of the Nation; the money of the Country being the mere tool or instrument by which the relative value to each other of these productions is determined, and the productions themselves exchanged for each other. And it is the surplus of these productions adding to, and forming part of, the permanent capital of the Country, which furnishes, or ought to furnish, the annually increasing fund, from which the Government may draw the supplies necessary for the gradual redemption of the Debt.

A Sinking Fund derived from such a source is most legitimate and most admirable. We have thought it unnecessary to go into the various elaborate calculations which have been made, demonstrating the futility of a Sinking Fund which depends for its maintenance upon money borrowed for its support, as we think it sufficient for the general purpose of this Essay to have exhibited the principle, that no benefit can possibly accrue from discharging a debt, when such discharge can only be effected by incurring another and much larger debt. Those who wish to enter minutely into such calculations cannot do better than carefully peruse Dr. Hamilton's admirable 'Inquiry concerning the Rise and Progress,

CHAP. X.

etc., of the National Debt,' and also Mr. Ricardo's able 'History of the Sinking Fund,' in the *Encyclopædia Britannica,* to both of which works the writer has been greatly indebted while prosecuting the present inquiry.

PART II.

THE PRESENT FINANCIAL CONDITION OF THE COUNTRY,

AND

SUGGESTIONS FOR IMPROVING IT.

CHAPTER I.

COMPARISON OF OUR PRESENT AND PROSPECTIVE CONDITION WITH THAT OF FORMER YEARS.

Retrospective view of the Debt.

WE have hitherto seen, in connection with the National Debt, nothing but what is of a cheerless and depressing nature: Debt contracted without adequate value being received for it, and Debt redeemed at a similar sacrifice. We are liable, nevertheless, while looking at the dark side of the picture, to overrate the unfavourable circumstances in which we are placed, and to forget that, although our Debt far transcends the largest amount borne by preceding generations, our means to bear it have increased in at least an equal degree. From the time of the accession of Queen Anne, when the Debt was £16,000,000, to the termination of the great French war, when it exceeded £800,000,000, every successive addition to its amount has given rise to the loudest lamentations, and produced the strongest convictions that we had gone to the utmost extent of our possible means — that further addition was not only thought rash to the extreme of madness, but that it was, in fact, absolutely impossible.

CHAP. I.

Sir J. Sinclair's history.

Sir John Sinclair, in his 'History of the Public Revenue,' gives some quotations which appear at the present time almost amusing, from the dolefulness which pervades them, considering the comparatively small amount of Debt which called forth these dismal complaints. We subjoin a few, as a kind of antidote to despondency on our parts, as we think we shall be able to show that the condition of the Country at the present time is not a whit more irretrievable than it was at the time these complaints were made.

We begin with an extract from a work printed in the year 1710:—

Extracts from Sinclair's history.

'*Are we not almost driven to the very brink of de-*
'*struction?* Our treasures are riotously wasted; our
'constitution in danger of being subverted; and the
'nation almost in general corrupted! Yet is it not
'a strange and wonderful thing, that, *while the nation*
'*is almost bankrupt*, wealthy men should shoot up
'in several offices like mushrooms; and, while the
'Government was endangered to be beggared, that
'all its servants should riot in such wealth and
'plenty, that the bare handling of a brush in any
'office was a ready way to a plentiful fortune; as
'if the public treasure had been thrown in there
'only for the officers to brush it into their own
'pockets.'

1722. 'Can it be proved that a free people can
'taste the high enjoyments that flow from property

Extracts from Sinclair's history.

'and liberty, when loaded with numerous Duties 'and immersed in Debts of such a magnitude that the 'discharging thereof is almost impracticable with the 'safety of the nation? And that our credit and reputation is growing and increasing, notwithstanding 'we are likely to be driven to the unavoidable choice 'of two melancholy extremes, viz., the blotting out 'of our books, and an effacing, as irretrievable, of an 'infinite number of creditors, who have lawful and 'just claims upon us; or, the paying of debts by 'virtue of wild schemes; and, by that means, to 'sink under a final bankruptcy? Ought not such a 'people to reflect, with horror and anguish of heart 'at any, who either by mismanagement or villany, 'have reduced them to so terrible an ebb.'

1736. 'The vast load of debt under which the 'nation still groans, is the true source of all those 'calamities and gloomy prospects of which we have 'so much reason to complain.'

The 'vast load of debt' here alluded to was under fifty millions.

1749. 'Our Parliamentary aids from the year '1740 exclusively, to the year 1748 inclusively, 'amount to £55,522,159 16s. 3d., *a sum that will 'appear incredible to future generations*, and is so 'almost to the present. Till we have paid a good 'part of our Debt, and restored our country in some

CHAP. I.

Extracts from Sinclair's history.

'measure, to her former wealth and power, it will be 'difficult to maintain the dignity of Great Britain, 'to make her respected abroad, and secure from 'injuries, or even affronts, on the part of her neigh-'bours.'

1776. 'I suppose there is no mathematical, still 'less an arithmetical, demonstration, that the road to 'the Holy Land was not the road to Paradise, as 'there is that the endless increase of *National Debts* '*is the direct road to National Ruin. But having now* '*completely reached that goal*, it is needless, at present, 'to reflect on the past. It will be found in the 'present year, 1776, that all the revenues of this 'island, north of Trent, and west of Reading, are 'mortgaged or anticipated for ever.'

Lord Macaulay's account of the effect of the Debt on the nation.

A small volume might be filled with extracts of a similar nature; but, as they are so ably epitomised by Lord Macaulay, in his fourth volume of the History of England, we will give his Lordship's summing up, in preference to making any more quotations.

'At every stage in the growth of that debt, the 'Nation has set up the same cry of anguish and 'despair. At every stage in the growth of that debt 'it has been seriously asserted, by wise men, that 'bankruptcy and ruin were at hand. Yet still the 'debt went on growing; and still bankruptcy and ruin 'were as remote as ever. When the great contest

Lord Macaulay's account of the effect of the Debt on the nation.

'with Lewis XIV. was finally terminated by 'the peace of Utrecht, the Nation owed about '£50,000,000; and that debt was considered, not 'merely by the rude multitude, not merely by fox-'hunting squires and coffee-house orators, but by 'acute and profound thinkers, as an incumbrance 'which would permanently cripple the body politic. 'Nevertheless trade flourished; wealth increased; 'the nation became richer and richer. Then came 'the war of the Austrian Succession, and the debt 'rose to £80,000,000. Pamphleteers, historians, 'and orators, pronounced that now, at all events, our 'case was desperate. Yet the signs of increasing 'prosperity—signs which could neither be coun-'terfeited nor concealed, ought to have satisfied 'observant and reflecting men that a debt of '£80,000,000 was less to the England which was 'governed by Pelham, than a debt of £50,000,000 'had been to the England which was governed by 'Oxford. Soon war again broke forth; and, under 'the energetic and prodigal administration of the 'first William Pitt, the Debt rapidly swelled to '£140,000,000. As soon as the first intoxication of 'victory was over, men of theory and men of busi-'ness almost unanimously pronounced that the fatal 'day had now really arrived. The only statesman, 'indeed, active or speculative, who did not share in 'the general delusion, was Edmund Burke. David 'Hume, undoubtedly one of the most profound

CHAP. I.

Lord Macaulay's account of the effect of the Debt on the nation.

'political economists of his time, declared that our 'madness had exceeded the madness of the Crusaders. Richard Cœur de Lion, and Saint Lewis 'had not gone in the face of arithmetical demonstration. It was impossible to prove, by figures, 'that the road to Paradise did not lie through the 'Holy Land; but it *was* possible to prove, by 'figures, that the road to National Ruin was through 'the National Debt. Adam Smith saw a little, and 'but a little, further. He admitted that, immense as 'the burden was, the nation did actually sustain it, 'and thrive under it in a way which nobody could 'have foreseen. But he warned his countrymen not 'to repeat so hazardous an experiment. The limit 'had been *reached*. Even a small increase might be 'fatal.

'It can hardly be doubted that there must have 'been some great fallacy in the notions of those who 'uttered, and of those who believed that long succession of confident predictions, so signally falsified 'by a long succession of indisputable facts. To 'point out that fallacy is the office rather of the 'political economist than of the historian.'

Fallacy entertained as to the Debt.

We think it not difficult to solve the problem here left for solution, nor to point out the fallacy which Lord Macaulay intimates, but abstains from exposing. The fallacy we conceive to be this:—that of confounding the embarrassments of the Government, which is a mere portion of the nation, with the entire

Fallacy entertained as to the Debt.

nation itself; and the concluding that, because a Government cannot pay its way, and is, consequently, bankrupt, therefore the nation must needs be bankrupt also. Now a nation, as a whole, can never be utterly ruined in the way so confidently predicted in the extracts we have before given, inasmuch as Providence has mercifully put it out of the power of any nation to ruin itself by forestalling future supplies. No nation can, in any one or more years, consume the produce of future years; and thus leave the people of the latter period without the means of subsistence. Providence gives a nation its income year by year, and only one year at a time; and that upon the application of the proper amount of labour and industry for the production of the income. In this respect, we are all placed in similar circumstances to those of a spendthrift son, whose parent will not trust him with his entire fortune, but who metes it out to him year by year, month by month, or week by week, if necessary; and who has made such an arrangement that nothing that the son can possibly do can divert the periodical income from its intended destination to himself.

Impolicy of taking people from productive industry.

There is, indeed, one mode of action which a Government or a Nation may adopt, which will bring ruin for a time upon the Country at large, and that is, by so diverting the labour of the people from productive to unproductive pursuits, as shall prevent the realisation, in succeeding years, of the ordinary

CHAP. I.

and natural income of the country. We can, for instance, imagine the possibility of a nation being so misled as to divert a large portion of its labour from the task of tilling the soil and the manufacturing of necessary articles of use, in order that that labour may be devoted to the production of the *matériel* of war. It would necessarily follow, that a large portion of the soil would remain untilled; and that portion of the natural income which is usually derived from the soil remain undeveloped. In like manner, the same abstraction of labour from ordinary manufacturing pursuits would prevent the production of that portion of the annual income of the country which is derived from manufactures. By a persistence in this course of procedure, a nation might be deprived of its annual income, and, for the time being, be ruined. But as long as the labour of the country is employed in producing, to its fullest extent, all that the country is capable of furnishing—as long as the latent wealth of the nation is being developed as much as possible—no embarrassment of the Government can produce absolute ruin to the great mass of the people. Hinder, indeed, the production of wealth—so mismanage matters, that either the soil is thrown out of cultivation, or factories are closed, mills are stopped, mines shut up, and the productive labour of the country doomed to enforced idleness, and ruin will quickly supervene. But this was not the effect produced by the National Debts at

Hindrances to production the road to ruin.

the time these complaints were penned. On the contrary, every addition to the debt gave rise to more strenuous exertions to overcome the difficulties which such addition to our incumbrances produced —every fresh necessity gave birth to new efforts to meet and overcome that necessity; and the wealth of the Country, despite the debt, went on gradually and surely increasing.

A more hopeful view.

But, having looked so long on the dreary side of the subject, let us now turn our attention to that which is more cheering and hopeful. We stated, at the commencement of this chapter, that our means had at least kept equal pace with our liabilities: and that this was no random remark, will, we think, be evident, when we examine the figures and statistics which bear upon this point. If, on comparing the amount of the Debt at different periods from its commencement up to the present time, with the total wealth of the Country at the same periods, we find that we are now in a better position to deal with the Debt than we were at any former period, we shall exhibit sufficient cause for viewing the subject with more complacency and calmness than we should otherwise be disposed to do.

Let us, then, see what are the actual statistics of the subject.

Several estimates of the total wealth of the nation have been made during the last 150 years, the following being some of the principal, viz.:—

CHAP. I.

Wealth of the Kingdom. Gregory King's estimate.

Gregory King, about the year 1700, estimated the total wealth or capital of the kingdom as being of the value of £615,000,000 sterling. The National Debt being at this period about £15,000,000, there would remain a clear sum, after all liabilities were satisfied, of £600,000,000 sterling. The population of Great Britain and Ireland was, it is supposed, at this period about 8,000,000; and, if so, the sum of £600,000,000 would be equal to £75 of capital per head of the population.

Dr. Becke's and Sir W. Pulteney's estimate.

One hundred years after this period, Dr. Becke estimated the total national wealth at £2,500,000,000; but as Sir W. Pulteney had, only a few years before, estimated it at £2,000,000,000, we think it better to take the medium between the two, and set down the national wealth at this period as of the value of £2,250,000,000. From this must be deducted £450,000,000, the amount of the National Debt, which would leave a clear surplus of £1,800,000,000. The population being at this time about 16,000,000, it would follow, that there was £110 of capital per head of the population, as compared with £75 of the former period.

Colquhoun's estimate.

In 1812, the wealth of the country had increased, according to Dr. Colquhoun, to £2,736,640,000; and the Debt had also increased to £670,000,000. Deducting the one from the other, and reckoning the population at 18,000,000, this sum would shew £115 of capital for every individual of the population.

Conjectured wealth of the Kingdom at the present time.

And now, in the year 1857, it seems generally to be thought that the sum of £6,000,000,000 is a moderate and fair estimate of the extent of the national wealth of the United Kingdom. The Debt we may take, in round numbers, as being £800,000,000, and the population as being 30,000,000. The result of these figures is, that there is £170 capital per head of the population, as compared with £115 in 1812—£110 in 1800—and £75 in 1700.

We have deducted the amount of the Debt at each period from the gross amount of the national wealth, for the purpose of shewing what clear surplus is left per head, after all liabilities are discharged. But in a strict calculation of the *total* wealth of the country, such a deduction does not need to be made. For though the debt is owing by the Nation at large to its creditors, and the Nation is, in one sense, the poorer for it; yet those very creditors themselves form part of the Nation; and that which forms a debt against the country, also forms the capital and wealth of those very individuals, and must be put down as forming part of the wealth of the country. In fact, the same item stands upon both sides of the account—as a debit against the country, and as a credit as regards the individual proprietors of the claim against the country. It may as well, therefore, be left out of the account; and the actual wealth or capital of the country may be taken at the

CHAP. I.

Wealth of the Kingdom.

full gross amounts as before given, which will then give the following results: —

	£	s.	d.	
In the year 1700,	77	0	0	of capital per head of population.
„ „ 1800,	140	0	0	
„ „ 1812,	152	0	0	
„ „ 1857,	200	0	0	

These calculations go to show, that during the present century the wealth of the country, *per individual*, has increased one-third; and that the *total* wealth of the country, viewed without reference to the increase of population, has more than doubled. And that there is good reason to believe that such is actually the case, the following statements, we think, will strongly indicate.

The first corroborative evidence that we shall offer, is an extract from 'The Report of the Select Committee of the House of Commons on the Law of 'Partnership,' in 1851.

The Report says:—

Mr. Porter's estimate of personalty.

'Mr. Porter, one of our best authorities on statistical subjects, calculates the amount of personal 'property in Great Britain to have nearly doubled in 'thirty years, and to amount, in 1845, to upwards 'of £2,200,000,000, from £1,200,000,000 in 1815.'

If personal property amounted to £2,200,000,000 in 1845, we may fairly reckon it to have increased to £3,000,000,000 by the year 1857.

Wealth of the Kingdom.

The second quotation we make refers to *real* estate, and is taken from the same author's work 'On the Progress of the Nation,' sect. 2. It exhibits the increased value of the *real* as distinguished from the *personal* property of the Kingdom, as evidenced by the increased revenue derived therefrom.

Mr. Porter's statement respecting real property.

'With scarcely any exception, the revenue drawn 'in the form of rent from the ownership of the soil, 'has been at least doubled in every part of Great 'Britain since 1790.'

Now, if we compare this statement with the calculation of Dr. Colquhoun, they, together, will very strongly corroborate the correctness of the estimate of 6,000,000,000 as being about the total wealth of the United Kingdom.

Colquhoun's statement.

Thus, Dr. Colquhoun stated the *total* wealth, real and personal, to be £2,700,000,000, at about the same period of time that Mr. Porter asserted that the *personal* wealth of the nation was £1,200,000,000. Now, if we deduct the £1,200,000,000 personalty from the £2,700,000,000 total wealth, it will leave 1,500,000,000 as being the value of the real estate; and if this real estate has been doubled in value by the application of science to agriculture, and by the conversion of barren wastes into fruitful fields, the total value of real estate will be £3,000,000,000, or thereabouts. Add this to the former item of 3,000,000,000 for personalty, and the sum will be

CHAP. I.

6,000,000,000 as the amount of the entire wealth of the nation.

Revenue of the Kingdom.

This calculation appears also to be borne out by the marketable or saleable value of the real estate of the kingdom, founding our estimate of that value upon the rental derived from it. From all the accounts we have seen, we think that the rental of the real estate of the United Kingdom, lands and houses, cannot be put down at less than £100,000,000 per annum. The value of this at thirty years' purchase, a very fair price for real estate, will give £3,000,000,000 as the saleable value of the real property of the country.

If we turn from the capital to the income of the country, the same kind of increase is manifested. In Francis's 'History of the Bank of England,' we are informed that the annual income of the country, in the year 1796, was estimated to be £233,308,800; and that in the year 1846, half a century afterwards, Mr. W. R. Smee, in his pamphlet on the income tax, calculated it to be £488,000,000, which is more than double the former amount. This was eleven years ago; and now we think we may fairly conclude that the present income of the nation is between £500,000,000 and £600,000,000 a year.

Mr. W. R. Smee's statement.

But the present great increase of the wealth of the nation at large, is not the only hopeful feature to dwell upon. If with our comparatively inferior powers of production, we have been able, during the

Increase of National Wealth.

last fifty years, to double the total wealth of the country, what may we not expect to accomplish by the industry of the next fifty years? So amazingly have our powers of production been developed and increased during the more recent portion of that period — so multiplied and extended our means of transport and communication — so wonderful the applications of science to productive and economical purposes — that it is not extravagant to conclude that it will not require another fifty years to repeat the process, but that we may again double our wealth within the ensuing thirty years. This, of itself, would be equivalent to reducing the amount of the Debt one half.

Mitigation of the burden of the Debt.

And this is one of the principal points to be aimed at. We should steadily keep in view, that the increase of the stock of the nation, is equivalent to a reduction of the Debt. A person whose expenses fully equal, or exceed, his income, may be as effectually relieved from his embarrassment by an increase of his income as by a reduction of his expenditure. Distribute a given weight over a greater surface, and the pressure upon each individual portion of that surface becomes mitigated. The weight of Debt which we now sustain, will, in like manner, become mitigated, when it is extended over a greater portion of wealth and a greater number of individuals, both of which will be the result of our natural and in-

CHAP. I.

evitable progress, if we are not so unwise as actually to *hinder* this result taking place.

Nature of our increased Wealth.

For what has been the nature of the increase which has taken place during the last fifty years? We describe it as the income of the country having increased from £250,000,000 annually, to between £500,000,000 and £600,000,000. What is the nature of that wealth which has grown from £2,500,000,000 to £6,000,000,000 — what is this £6,000,000,000 of wealth? To describe this accurately, we should have to make a schedule or inventory of the items which composed the wealth of the nation at these two respective periods. We should, in this schedule, see that so many more hundreds of thousands or millions of acres of land have been brought into cultivation, which were formerly waste; we should see, that even that land which was in cultivation at the first period, by the application of labour to it, and the incorporation of labour with it, had so increased in fertility, as to be enabled to produce a double amount of crops; we should see that, in the former period, there were say 2,000,000, of houses, and that now there were 4,000,000. That, in like manner, there were, in present stock and in annual production, *two* tons of iron, copper, tin, coal, etc., etc., to *one* ton of the former period; that a similarly enlarged stock existed of all kinds of textile fabrics — cottons, cloth, linen, and silks;

Nature of our increased Wealth.

that there was double the number of oxen, sheep, pigs, horses, etc. In this way, we should have to go through every article of consumption and use; and we should discover, that this enlargement of wealth from £2,500,000,000 to £6,000,000,000, was either a greater quantity of the productions before named, or an ability to produce a greater quantity; that this addition of £3,500,000,000 to the national wealth, was nothing more than a greater stock of all articles of consumption and use, and the increased power which the nation possessed, in the shape of improved land, machinery and implements, to produce in larger quantities periodically all the articles necessary for man's subsistence and use. Money itself, though forming but a small and insignificant portion of this wealth, would likewise exhibit an increase; the amount of gold and silver at the first period, in coin and in plate, did not probably exceed £50,000,000; it now, in all probability, approaches £100,000,000. Let the mention of this last item be duly pondered over, and let it teach a necessary lesson to those who are misled by the mistaken notion that money forms the wealth of the individual or the nation. We see how far it does so, nationally speaking — we see what it amounts to; it is £100,000,000 out of £6,000,000,000; there are 5,900 millions, not money, but money's worth, and 100 millions money. It would be a sad day for those who consider themselves worth their £10,000

CHAP. I.

or £20,000 apiece, if there were no other stock in the country to justify their title to be considered persons of property, than the mere money of the country; for this, equally divided, would not amount to more than £2 per head.

Importance of promoting the increase of Wealth.

It is clear, then, what we must expect, and what we must aim at, if we are to increase the present wealth of the country from £6,000,000,000 to £12,000,000,000, and by this means effectually lessen the weight of the National Debt. It can only be done in the way indicated above. The soil of the nation, which in the middle of the 18th century, produced only *two* quarters of wheat per acre on the average, and which in the middle of the 19th century, has been made to produce *four* quarters, must, by the end of this century, be made to produce *eight* quarters per acre; a result which, we believe, will be brought about long before the time spoken of. There must be double the quantity produced of every description of useful commodities; double the quantity of food, of raiment, of house-accommodation — double the quantity of fabrics and manufactures of all descriptions, part for our own consumption, and part to exchange for the products of other lands. The greater the quantity that can be produced, the greater the wealth. We can only increase our wealth by increasing these productions; we can only become poor by diminishing production.

While we are writing this, a tremendous commer-

Evil effects of the Panic of 1857.

cial and monetary panic has arisen in London and in the provinces, which, like all previous convulsions of a similar kind, has a direct tendency to repress the creation of wealth, and consequently to impoverish the country. That which is now taking place is directly antagonistic to the policy we desire to recommend. Let us listen to a few extracts from different journals published during the last few days, and let us candidly reflect whether the permission or the production of such convulsions as this, is a likely mode of producing national prosperity by an increase of wealth.

From the Glasgow Daily Mail.

'We regret to learn that the list of *unemployed* 'continues to increase. This was to be expected, 'the stagnation in the money-market necessitating 'the dismissal of *miners, weavers, ship-builders, and* '*factory-workers.*'

From the Liverpool Courier.

'It is difficult to conceive a more wanton sacrifice 'of property than that inflicted upon every trading 'community during the early five days of last week. 'Under the crushing influence of this unmodified 'Bank Bill, from Saturday till Friday, the value of 'produce descended rapidly and ruinously. The 'value of the stock of cotton in this town alone, fell '£300,000 in four days; scarcely an article of produce escaped; and therefore, no man engaged could

CHAP. I.

Reports of the fall of prices in 1857.

'fly from the fearful consequences of his necessities. 'Securities of all kinds were similarly and unnaturally forced down, with precisely the same results 'to those who wanted money for their engagements.'

From the SCOTSMAN.

'There has been no organized movement by the 'spinners to bring about working short time; but in 'nearly every instance, the working time will be 'reduced from 60 hours per week, to 40.'

During every commercial and monetary panic with which this country has been afflicted, extracts from the public press, like these, could be given by the score and the hundred. Under our present arrangements, these lamentable results are perhaps unavoidable, and the cessation of the employment of labour, and of the creation of wealth for the time, the only step that can be taken. But there must be something very faulty in these arrangements, to make so great an anomaly expedient. It is not natural, and, we believe, not necessary. We are aware that some economists look upon these convulsions as being as necessary as a thunder-storm to purify the commercial atmosphere, and give fresh life and vigour to the industrial public; but we are impressed with no such conviction. We believe the cessation of labour and production to be a calamity, and a loss that nothing can replace. We believe that the true philosophy of the question is correctly

Encyclopædia Britannica on the production of National Wealth.

given in the following quotations from the able article, England, in the 'Encyclopædia Britannica.'

'To the wisdom of Parliament the country must 'look up for those salutary regulations which shall 'remove every obstruction in both countries that may 'be opposed to the means of obtaining from the 'capital, skill and labour of the people, the *greatest 'possible returns which are attainable;* by giving a 'proper direction to the industry of the labouring 'classes, and by such encouragements as shall render 'it not only universally efficient, but *productive to the 'highest degree that is possible.*

'Millions of individuals in all countries pass 'through life without being aware, that the food 'which nourishes them, the clothing which covers 'them, the habitations which shelter them from the 'inclemency of the weather, and all the other con- 'veniences and comforts which they enjoy, proceed 'from the labour of the people employed in agricul- 'ture, mines, and minerals—in manufacture and 'handicraft employments—and in trade, commerce, 'navigation, and fisheries.

'It is by the labour of the people employed in 'various branches of industry, that all ranks of the 'community in every condition of life, annually 'subsist; and it is by the produce of this labour 'alone, that nations become powerful in proportion 'to the extent of the surplus which can be spared for 'the exigencies of the state. It is by *the increase or*

CHAP. I. ‘*diminution of the produce of this labour that states,*

Absurdity of the cry of Over-production. ‘*kingdoms, and empires, flourish or decay.*’

And that any real embarrassment and mischief need necessarily flow from too great a production of commodities, and a consequent accumulation of capital is, we think, clearly disproved by Ricardo, who, in endeavouring to allay the fears of those who thought that the great accumulation of capital accruing from the too rapid operation of the Sinking Fund would lead to the production of such vast quantities of goods, that no profitable markets could be found for them, speaks thus :—

Mr. Ricardo on Over-production. ‘Now the doubts of those who speak of the mischievous effects of the great accumulation of the ‘Sinking Fund, proceed from an opinion they entertain, that a country may possess more capital than ‘it can beneficially employ, and that there may be ‘such a glut of commodities, that it would be impossible to dispose of them on such terms as to ‘procure to the producers any profit on their capital. ‘The error of this reasoning has been made manifest ‘by M. Say, in his able work “Economie Politique,” ‘and afterwards by Mr. Mill, in his excellent reply ‘to Mr. Spence, the advocate of the doctrines of the ‘Economistes. They show that *demand is* only ‘*limited* by *production*; whoever can produce has a ‘right to consume, and he will exercise his privilege ‘to the greatest extent. They do not deny that the ‘demand for particular commodities is limited, and,

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Mr. Ricardo on Over-production.

'therefore, they say, there may be a glut of such 'commodities; but in a great and civilised country, 'wants, either for objects of necessity or luxury are 'unlimited, and the employment of capital is of equal 'extent with our ability of supplying food and ne- 'cessaries for the increasing population, which a 'continually augmenting capital would employ. 'With every increased difficulty of producing addi- 'tional supplies of raw produce from the land, corn 'and other necessaries of the labourer would rise. 'Hence wages would rise. A real rise of wages is 'necessarily followed by a real fall of profits; and, 'therefore, when the land of a country is brought to 'the highest state of cultivation, when more labour 'employed upon it will not yield in return more food 'than what is necessary to support the labourer so 'employed, that country is come to the limit of its 'increase both in capital and population.

'The richest country in Europe is *yet far distant* 'from that degree of improvement; but if any *had* 'arrived at it, by the aid of foreign commerce, even 'such a country would go on for an indefinite time 'increasing in wealth and population; for the only 'obstacle to this increase would be the scarcity and 'consequent high value of food and other raw pro- 'duce. Let these be supplied from abroad in ex- 'change for manufactured goods; and it is difficult 'to say where the limit is at which you would cease 'to accumulate wealth, and to derive profit from its

CHAP. I. 'employment. This is a question of the utmost 'importance in political economy.'

Soundness of Mr. Ricardo's views.

These sentiments are, throughout, pervaded by a sound philosophy; and to minds capable of, and satisfied with, grasping great and general principles, they will be abundantly satisfactory. The great mass of mankind, however, engaged as they are in the daily occupations of life, need a more commonplace and practical explanation of the matter. In opposition to the sound teaching just quoted by us, they believe, for they have been taught so to believe, that poverty and distress may be caused by an over-production of wealth; and that many of the evils which afflict us as a community are really owing to this cause.* Before such persons we would place the following statement of facts as they exist, and ask them whether they can, after perusing it and pondering over it, still retain such an opinion; whether they can really bring themselves to believe that *our* perplexities arise from too great a production of commodities.

For what is the income of the Nation? What is the nature and amount of the fund which furnishes

* We are not here speaking of relative over-production; that is, the over-production of some goods beyond their fair proportions with other goods, for this may happen; but of a positive over-production of all things, which is only another term for expressing a general increase in the wealth of a community.

subsistence to all classes, and how much does it allow to each on an average?

Nature of National Income.

Let us see: and let us first reckon it in the ordinary way, that is, in money; that being the most compatible with our ordinary modes of thought.

The income of the country, if reckoned in money, though really and ultimately in goods, may be taken, as we have before stated, at about £500,000,000 a year.

Average Income of Families.

The population may be taken, in round numbers, at 30,000,000. Allowing five individuals to form, on the average, one family, it follows that there are 6,000,000 of families in the country.

These 6,000,000 families have £500,000,000, yearly, to divide among them. What is this for each family of five persons? Just £83 6s. 8d. per annum.

Now we do not suppose that the most practical man in the world will come to the conclusion that the families of this country are distressed by the fact of their having so large a sum as £83 6s. 8d. per annum to subsist upon; seeing that they are five in number and live in a highly-taxed country; and that their circumstances would really be bettered, if their income were reduced to £50 instead of £83 6s. 8d. The thing is so absurd on the face of it, that we are sure that even he would at once exclaim—'£83 6s. 8d. is little enough—indeed they would be better off if they had double that sum.'

CHAP. I.

Distribution of increased National Income.

Is it indeed so? Then the *production* of the country must be proportionally increased in quantity to allow of it. Before each family of five persons can have double the former sum, or £166 13s. 4d. a year, the income of the country must be raised from £500,000,000 to £1,000,000,000 a year; and the capital stock of the country must be raised from £6,000,000,000 to £12,000,000,000. And if this were done, what would this £12,000,000,000 capital stock and £1,000,000,000 of annual income arising from it and labour conjointly, consist of? Simply and purely this: the income would consist of a *double quantity* of all the productions which are used and consumed by the people at large; and the capital would partly consist of an increased stock of these productions, and partly of an ability to produce an increased quantity. We defy any man to prove, that it can consist of anything else, reckoning the income as we ought to reckon it, to be that which people ultimately obtain for consumption and use. Nor is this the whole of the case. To afford this £166 13s. 4d. a year to each family, not only must the present productions be doubled in quantity, but they must be doubled compared with the augmented population. If we were to double the quantity of productions, and the population were also to double at the same time, it would afford no additional income to each family; ten loaves among ten people, and twenty loaves among twenty people is the same

thing to each one. We must not only, therefore, double the whole annual production of the nation, but we must double the productions to each individual family before such family can have £166 13s. 4d. a year, instead of £83 6s. 8d.

What becomes, then, of the silly, and, thank God! the now obsolete cry of 'over-production'? Well might the writer in the 'Encyclopædia Britannica' say, that the point to be effected was to obtain 'from the capital, skill and labour of the people, the *greatest possible returns which are attainable*'—to make the industry of the country '*productive to the highest degree possible.*' This, and this only, is the way to increase the national wealth; this, and this only is the way to provide the increased stock necessary for the redemption of the National Debt.

No fear of the industry of the Country, if allowed free scope.

We have not the slightest fear, that if the industry of the country were allowed to have a free and clear course, it would soon furnish the fund to redeem the Debt from the clear surplus of taxes alone. And we do not see any reason to despair. Every year fresh accessions are made to the cause of freedom; and we have firm faith that knowledge and improvement will continue steadily to advance, till all that is erroneous in principle, and baneful in operation, will pass away.

There is one remaining point that we have not yet touched upon, affecting our present and prospective condition as compared with that of former times, namely the discovery of gold in such vast quantities

CHAP. I.

Effect of the Gold discoveries.

in California and Australia. If the production goes on as it has hitherto done, and if gold, as appears very probable, be discovered in other quarters, it will, doubtless, after a few years, make a mighty difference in the pressure of our debt. It is believed by many eminent investigators of these subjects, that gold has already considerably depreciated in value, compared both with silver and with commodities in general, and it may be so, notwithstanding that gold as money, is found to be, at the present time,* of higher value than ever, regarding it as a borrowable and lendable article for which interest has to be paid. Not so much difference, however, has taken place in its exchangeable value as might have been expected, considering that about 200,000,000 sterling have been added to the general stock of the world. The rapid absorption of this amount, and the scarcity still felt, seem, however, to prove one thing:—the utter insufficiency of the monetary supplies of the world properly and conveniently to carry on its vastly augmented commerce. The additional supply of gold, immense as it has been, has been absorbed by the world's commerce, as a parched and thirsty desert would drink up the most abundant of the tropical floods. But we doubt whether this will continue to be the case, if the production of gold goes on at the same, or at an augmented rate. The most parched soil would ultimately become saturated

* November, 1857.

by continuous floods, and the continued production of gold must, we think, greatly lessen its exchangeable value in a few years' time. This, as regards the country in general, will have a very favourable influence in diminishing the burden of the debt, though the fundholder will correspondingly suffer.

CHAPTER II.

PLANS HERETOFORE SUGGESTED FOR THE LIQUIDATION OF THE NATIONAL DEBT.

CHAP. II.

Plans for the liquidation of the Debt.

IN entering upon the subject of the liquidation of the National Debt, it will be first advisable to examine, briefly, a few of the plans which have been heretofore suggested for the accomplishment of that purpose.

These plans are: —

1st. The actual payment of the Debt, in whole or in part, by a contribution to be made.

2nd. Its conversion into terminable annuities.

3rd. Its redemption by a sinking fund.

4th. The conversion of its capital from, say a 3 per cent. stock, into a stock bearing a higher rate of interest, and reducing the nominal capital in the same proportion.

Most of the plans which have been submitted to the public may be classed under one or the other of these heads.

With regard to the first, i. e., the actual payment of the Debt, the slightest reflection will show us, that an actual payment at once, and as the law

requires, is simply an impossibility. As the law now stands, whatever payment is made must be made in gold, according to the standard of 5 dwts. 3 grs. of gold for every pound, or in Bank notes convertible into such gold pounds on demand.

Actual payment of the Debt.

We have already shewn, in a former chapter, that the quantity of gold that would be required to discharge the Debt at once would be upwards of 6,000 tons — a quantity which we suppose does not exist on the surface of the whole globe, whatever may be the concealed treasures of its interior. It is, therefore, clearly impossible in the nature of things, that a literal fulfilment of the existing law should be accomplished in an actual payment of the National Debt outright.

Such payment neither possible nor desirable.

But as this is not a possible accomplishment, neither would it be a desirable one, if possible, for those who would be entitled to payment. If they really could be paid in gold, it would be their ruin. A literal fulfilment of the terms of the contract to the whole extent of the debt would consign them to beggary, so far as their property consisted of their claims against the country. For what would be the value of gold if 6,000 tons could, by some unforeseen, and, at present, unimaginable, means, be provided by the Government for the discharge of the claims of the national creditor. It is a problem that we have no possible means of solving; but as it would increase gold in the country by at least twelve or fifteen times

CHAP. II.

its present amount, we think that the least effect it would have, would be to bring gold down to the present value of silver. If so, the national creditor would, in effect, receive but a little more than a shilling in each gold pound so paid to him. Of all persons, then, the owners of the Debt would be the last to wish for a literal fulfilment of the terms of the contract, if such fulfilment could, by any means, be made possible.

Transfer of a portion of every person's property.

But might it not be paid by a transfer of a fair proportion of every person's property, to be applied to this purpose? This idea has been entertained; and instances have not been wanting of noble-minded individuals, of considerable property, coming forward and expressing themselves ready to contribute their share, upon the way being pointed out to them, and upon its being adopted as a general measure. We do not say that no way could be found to carry out the plan; but it would be an exceedingly difficult matter, considering how property is held in this country, to detach in a formal and legal manner, say, a one seventh portion, from the remainder, and to devote it to the payment of the debt. The complications arising from family settlements and other arrangements, from mortgages, and from different forms of tenure, would render such a separation almost impossible with reference to real property; while with reference to many descriptions both of real and personal property it would be absolutely

impossible to make such a division. Under any circumstances, some descriptions of personal property must either be exempted, or subject to redemption or commutation; for it would verge upon the ridiculous to suppose that all our necessary domestic furniture and utensils should be made subject to the impost; yet they form a very considerable item in any schedule of the national wealth.

Such transfer not practicable.

If, then, the first mode of payment would be impossible, and the second so difficult and inconvenient that it would at once be rejected, we see only one other mode of actual payment: that of spreading the payment over a number of years, and taking care absolutely to cancel a portion of the debt every year, in order that the dividends or interest of so much of it might cease. This, of course, could only be done by coming upon the property of the nation for the annual instalments necessary for the purpose. In fact, it would be a kind of additional property tax, to last until the Debt was extinguished; and if the public be really in earnest to accomplish such extinction of the debt, they must prepare to dispose of as much of their property every year, if such disposal were necessary to raise the means, as would pay their annual instalment. Suppose that a sum of £10,000,000 were annually realised in this way from property, in addition to the payment from the Consolidated Fund of the amount that would have been payable for dividends on the stock so redeemed, a

Payment by instalments.

CHAP. II.

debt of £800,000,000 could be annihilated in less than fifty years, even if the stock had to be paid off at par. But we question the necessity and the justice of paying off the stock at par. No doubt that if a serious intention of paying off the debt were entertained, and such intention were steadily acted upon for a few years, the stocks, as they became scarcer through the gradual redemption, would rise in price till they were at par. But we think the Government would be to blame to permit of this. There seems no reason why Parliament should not empower the Government to make a present purchase of all the stocks at a fair and just price, taking all things into account — such stock to be paid for in annual instalments, as above described. If this were done, and the price fixed upon for the 3 per cents. were £90, the Debt might be paid off in about forty years.

Is there any reason, then, why this should not be done? Are there any objections to such a measure?

We think there are: —

The new 3 per cents cannot be redeemed at present.

In the first place, so far as the new 3 per cents. are concerned, which amount to nearly £250,000,000, the nation is pledged by the financial arrangements of 1844 not to redeem the stock until after the year 1874. Whatever might therefore be done, unless with the consent of the holders, it must be compulsory, and as real a violation of national faith as though the debt were sponged out, though not, of course, to the same extent.

Secondly, we think it unfair to throw such an additional burden upon the present generation, saddled as it has been with so vast a load of debt, contracted, in the first instance, in the reckless manner we have described, and afterwards intensified by the changes made in the money system of the country. The debt has been, already, more than paid by the present generation, if a fair estimate of its proper and original value were made, and the real value of the payments made on account of it also fairly considered.

Payment of the Debt unfair to the present generation,

Thirdly, because a redemption of the debt in this manner would be more burdensome to the present generation than continuing to pay the interest of the debt. Most people would prefer to have the capital still left in the hands of the stock-holders, and pay an interest of $3\frac{1}{4}$ per cent. for it, than redeem it at such a sacrifice.

and more burdensome than paying the interest.

In the last place, we think we see a better plan of proceeding, which will gradually liquidate the debt, not only with manifest and salutary benefit to ourselves, but without throwing an undue portion upon our children. We shall enter into a consideration of this plan, as soon as we have given the other points named a little examination.

We now proceed to consider the second mode which has been recommended for the ultimate liquidation of the debt; namely, 'the conversion of it 'into terminable annuities.'

Conversion of the Debt into Terminable Annuities.

CHAP. II.

Conversion of the Debt into Terminable Annuities.

This plan is so advantageous, that it would have been long since adopted, had it been found possible to accomplish it. But so great an objection exists to any fund which, year by year, decreases in value, that to a very large class of holders such a stock would be altogether inadmissible. All corporate and public bodies, as well as trustees, and those who wish to make a permanent provision for any purpose whatever, have an unconquerable aversion to such a stock. It is owing to this objection on the part of the public, that so small a portion of the National Debt has been contracted in terminable annuities: The present Chancellor of the Exchequer did, indeed, partially employ this method in raising the £16,000,000 loan in 1855; but it was only a subordinate and supplementary, or rather complementary, part of the transaction. Generally speaking, it has been found that money cannot be raised by terminable annuities on any but the most extravagant terms; and the same objection would operate to prevent any voluntary conversion of the debt, except upon terms that would not be thought of. With regard to small portions of the debt, the holders of which might voluntarily offer to accept a terminable annuity upon moderate terms, there could be no objection to the plan being adopted, though we fear few offers would be made.

Universal objection to Terminable Annuities.

But, while admitting its general advantageousness, we think that even this mode of liquidating the

debt, if it could be carried out, would still be open to the objection that it would throw an additional burden upon the present generation; for no terminable annuity would be taken in exchange for a perpetual one, unless a higher annual interest were paid to the annuitants during the time the annuity continued. It is useless, therefore, to think of terminable annuities, if we want any present relief from the burden of the Debt.

Redemption of the Debt by a Sinking Fund.

With regard to the third plan, namely, 'the redemption of the Debt by means of a Sinking Fund,'—as we have, in a former portion of this essay, explained our views with regard to this, it will be unnecessary to repeat them here. Still we may just remark, that a Sinking Fund, in some form or other, has been in operation since the year 1716, and but little effect has been produced by it in the reduction of the Debt. First, because in order to pay off debt, fresh debt has been created to a larger amount than that paid off; and secondly, because the stock was not cancelled when redeemed, but left in the hands of the commissioners. This proved too great a temptation for the various ministries and parliaments, and led to the appropriation of the fund for current expenses. In the future management of any future Sinking Fund operations, therefore, it will be essential to attend to these two points:—first, that the Sinking Fund be sustained by surplus revenue, without that revenue having been raised by

CHAP II.

borrowed money: and secondly, that the stock redeemed by such Sinking Fund be immediately cancelled, and not left in the hands of commissioners. With these provisoes, a Sinking Fund may legitimately assist in lessening the national incumbrances, though it never can have any great effect, while our present system of money is maintained. Could the currency of this country be so arranged as to effect the abolition of those commercial convulsions or panics, which periodically prostrate our productive powers, we should soon see a large surplus revenue from ordinary sources, and the Sinking Fund would become an important instrument to effect the reduction of the Debt.

Reduction of Debt by conversion into another Stock.

With reference to the mode of reducing the National Debt by the conversion of it into a stock bearing a higher rate of interest, the capital of the debt being reduced in the same proportion, we think this could not be done without entailing a somewhat larger burden upon ourselves at present, nor without giving a guarantee that no advantage should be taken of this new stock rising to, or beyond par, to redeem it before a given number of years had elapsed. This mode is, therefore, also open to the same objection as the others:—that we should increase the present burden of the debt for the sake of a diminution of the capital at some future period.

The fact is, that, arrange our plans as we may, and twist and change our modes of dealing with the

debt as we please, there is no possibility of obtaining an advantage as against the fund-holders with their consent. All plans of this nature are matters of simple calculation. If against the fund-holder, and in favour of the country at large, the fundholder will naturally not agree to them; if, on the other hand, they are of a nature that will benefit the fundholder at the expense of the nation, how can the country be benefited by adopting them? Something is wanted that will benefit the nation at large, without inflicting injury upon any one — that will mitigate rather than enhance the present burden — that will accomplish this desirable end without injuring the fundholder, on the one hand, and without transferring the burden to posterity, on the other. Whether this can be done will be the subject of investigation in the next chapter.

Something else wanted.

CHAPTER III.

PROPOSALS FOR THE LIQUIDATION OF THE NATIONAL DEBT.

CHAP. III.

Various modes may be simultaneously employed.

THERE appears to be no reason why several different agencies should not be employed, and different modes of action adopted, for the accomplishment of the liquidation of the National Debt. Indeed, as no one plan would be acceptable to all classes of the national creditors, it is highly desirable that several should be in operation simultaneously.

While, therefore, we shall attempt to develop one main plan as our principal reliance, we would not wish to lose sight of the before-mentioned modes of operation, but would desire to make them available to the utmost extent of which they are capable. Let the Sinking Fund, for instance, be kept in full operation, based upon the principles we have before stated; and let such a freedom be given and full play allowed to the industry of the country, that a large surplus revenue may be produced, to give soundness and stability to such a Sinking Fund, and greatly to enlarge its operations.

Still more, and for the accomplishment of the

same purpose, do we desire to see the establishment of a less capricious monetary system; in order, in the first place and principally, that the industry of the people may not suffer those ruinous checks and fatal prostrations which the present system permits, if it does not produce; and secondly, that the large sum of money which we annually pay for the use of the notes of the Bank of England may be saved to the nation, and added to the Sinking Fund to extend its sphere of action.

Our Money System should be reformed.

Neither can there, we imagine, be any objection to the conversion of the lower description of stock into a stock of nominally higher rate of interest, with a proportionate reduction of the capital; provided this could be done without increasing the gross amount of the interest payable on the debt; though of the success of such a plan, if it were proposed, we are not at all sanguine.

But we feel that these are only accessory and supplementary measures, and that they need to be accompanied by something more powerful and comprehensive; the debt is of too vast a magnitude to be greatly affected by operations of this nature. Not only so, but something also is needed which will tend to lessen the weight of the Debt to the present generation more speedily than these measures are likely to effect. We believe we have already borne an undue share of the burdens contracted by our fathers, and we see no probability of these

CHAP. III.

burdens being much mitigated in our time, by such slow processes as that of the Sinking Fund. Could we even be so generous and heroic as to contemplate the payment of the Debt, we think that an actual payment, in any shape or form, by means of a contribution from property already realised, would not meet with acceptance. Those who desire to see some plan proposed for the payment of the Debt, do not, we verily believe, contemplate an actual payment; it is probably the furthest thing from their thoughts. It is more probable that they entertain some indistinct notion, that by some clever financial scheme, the Debt may be got rid of without an actual payment.

Payment of the Debt by property not at all probable.

And if the payment of the Debt depended, at any time, upon a contribution of property then already realised, we should despair of ever seeing such contribution voluntarily made, or even submitted to, however rich the nation might at the time be. People's expenses and habits of life, on the one hand, generally keep equal pace with their increased means; so that even those that are the most easy in their circumstances, seldom find it convenient to pay a large contribution, let it be called for whenever it may. And with regard to those whose habits of expense do not increase with their means, the love of money and the insatiable desire of further accumulation, form as great a barrier to voluntary contribution as expensiveness does in the former class. Notwithstanding, therefore, that the nation might

in a few years double its wealth — might possess £12,000,000,000 of property instead of £6,000,000,000 — yet a direct contribution, at any time, for the purpose of paying off the Debt, would be felt to be a grievance.

We are persuaded, therefore, that it is not from property that already exists, or that may arise in the natural order of things, that we are to derive the fund by which the National Debt may be redeemed; but from property that can be made to exist for the express purpose of paying off the Debt, and the production of which property will benefit all parties engaged therein.

We have before remarked, that the substitution of terminable annuities for perpetual, would be highly advantageous for the reduction of the Debt, were it not for the fact that such terminable annuities, constantly decreasing year by year in value form a very unacceptable portion of public securities, and find no favour in the market. But this is not all; even terminable annuities, favourable as they would be in the long run, would benefit but a small portion of the present generation; and we feel that we should hardly be content with this. We desire to see the National Debt not only converted into terminable annuities, but into such terminable annuities as shall periodically decrease in amount. For instance; annuities that on their commencement amounted to 3 per cent. on the capital, we should desire to see reduced to $2\frac{3}{4}$

Diminishing Annuities as well as Terminable.

CHAP. III.

per cent., at the end of the first five years; to 2½ per cent., at the expiration of another five years, and so on; so that the whole annuity might be extinguished in 60 years from its commencement.

Such Annuitants to have proper compensation.

To effect this, an adequate and ample compensation must, of course, be made to those who are the holders of the present stock, or to those to whom the stock may be by them transferred. To meet the case entirely on its own ground, and to provide a compensation exactly suited in its nature to replace the loss which these decreasing terminable annuities would entail, it should be one which would yearly increase in value, while the value of that which it displaced was decreasing. Not that this is absolutely essential to a sufficient and proper compensation, but that it would exactly meet the case on its own ground, and provide a very appropriate remedy for the loss which would arise.

What, then, do we propose, in order to accomplish this desirable end? If the debt is to be converted not only into terminable annuities, but into annuities which shall periodically and progressively become less and less in amount, what compensation can be devised, so that not only injustice may not be done to, but benefit conferred upon, the present proprietors of the debt, or those to whom their claim upon the country may be transferred.

Plan proposed.

In few words, we think that the fund is to be found in our immense colonial empire; the lands and

capabilities of which, comparatively valueless at present, may be made, under proper arrangements, to furnish ample funds for the redemption of our National Debt, were it even twice or thrice its present magnitude.

On introducing this part of our subject, we beg to premise that we contemplate the probable necessity there may be to come to an understanding with the legislatures of the various colonies to whom we have given the right of self-government, in order effectually to carry out the plan. Though we are not very well versed in colonial law, as affecting the rights of the mother country to dispose of the unsettled lands, yet with such colonies as Canada, Australia, New Zealand, and New Brunswick, we apprehend it will be necessary to secure the sanction and co-operation of the local legislatures. This sanction and co-operation we feel, however, persuaded there will be no difficulty in securing, inasmuch as the very plan we have to suggest is that which will supply a universally felt want—a want which forms the subject of daily discussion in the various papers published in the colonies, especially in Canada, where the cry daily is,—'How shall we attract capital and labour to our shores? Here we have plenty of raw material lying latent and undeveloped, in the shape of lands, mines, woods, and fisheries; what can be done to develop this latent wealth and turn it to account?'

CHAP. III.

Plan proposed.

We think that both parties, the mother country and her colonial offspring, may be mutually benefitted by the adoption of a plan of somewhat of the following nature, for the redemption of the National Debt. We merely present the principal points which it is desirable to accomplish, not presuming or attempting to indicate the precise course of action which must be adopted to carry the plan into practical working operation. The undertaking would be so vast, and the points to consider so numerous, that it would doubtless require the united wisdom and experience of Parliament and Ministers, both home and colonial, to make the requisite arrangements.

1. Let subscription books be opened for those who would be willing to subscribe towards the redemption of portions of the various public stocks, in sums of £100 and upwards.

2. Let every subscriber be entitled, in the first place, to an annuity terminable as follows. For the first five years after subscription, let the annuity be the amount of the dividend payable, at the time of subscription, on the stock for which he subscribed; for the following five years let it be one quarter per cent. less; for the next five years another quarter per cent. less, and so on; the annuity diminishing one quarter per cent. every five years until the said annuity became extinguished.

3. Let every subscriber, in the second place, be

entitled to an adequate grant or grants of land, in proportion to the amount of his subscription, in any one or more of the colonies of Great Britain, as he may select, in accordance with those regulations which the Government authorities may deem it necessary to adopt. Where the right to grant such land rests absolutely in the Home Government, no great difficulty will occur; but where such right rests either entirely or in part in the colonial authorities, such arrangements must be made with them as will secure their sanction and co-operation.

Land in its present state valueless.

4. As the mere grant of land would, if the land were left in its present primitive condition, be comparatively valueless notwithstanding its capability of being developed into value, let each subscriber be entitled to an advance, for a certain number of years, of a portion of the money subscribed by him; which portion, with others, should be set apart as a general fund to open up proper access to, and clear, as far as the fund will admit of, the sections of land so granted. The necessary works for this purpose might either be undertaken by the Government, with or without convict labour, or committed to Boards of Commissioners, in whose appointment the subscribers should have a voice, or a certain number of whom the subscribers might absolutely appoint.

5. Whatever sum, or proportion of the original subscription it might be found necessary thus to set apart, let it form a lien or mortgage upon the land so

CHAP. III.

granted, to be repaid within a given number of years, the subscriber, in the meantime, paying such an interest for the advance, as would be equal to that which was payable in the Government stock at the time of his subscription. Subscribers to have the power to redeem the said lien or mortgage at any time within the period named.

6. Let the remainder of the subscription-money, after the above advance is provided for, be devoted to the purchase of stock for the redemption of the debt; and let the interest receivable from the subscriber on account of such advance go to the payment of the dividends on that portion of stock which cannot at present be redeemed, until the advance is repaid.

By the plan suggested, the following results, we think, could be secured :—

Desirable results.

1. The entire liquidation of the National Debt within sixty years.

2. The diminution of the burden of it, in successive reductions of the interest to the amount of about 8 per cent. each time, once in every five years; thus giving the present generation some of the benefit of the reduction of the debt.

3. The profitable employment of that annual surplus of capital which the Country ordinarily produces. This surplus, in former times, was much misapplied by means of loans to foreign countries, some of whom do not provide for the interest. In

later years it has been more or less profitably em- CHAP. III.
ployed in supplying the railways with which the country is now covered; the necessity for the extension of which being no longer so imperative.

4. The conferring upon the owners of the public funds, or upon those to whom they may sell their claim, a more valuable property in the end than they at present possess in the shape of a share in the public revenue of the country.

5. The profitable opening up, to thousands of young people of all classes, of an opportunity of making their way in life with a capital comparatively so small as would be almost useless to them here.

6. The developing and bringing into profitable service of the latent capabilities of our vast colonial empire, extending, as it does, to every clime, and capable of producing every kind of raw material needed by our manufacturers and general population.

And, if thought advisable,

7. The employment of the criminal portion of the population in labour for the benefit of the community, both colonial and domestic.

The above is, we are aware, but a crude outline; and the plan suggested may not be found to work in the exact mode of action pointed out. But this is not material. The main points are the following; and we doubt not that a practical mode of carrying them into operation can be hit upon.

We have a great debt to pay.

CHAP. III.

Main points that we have to consider.

Scarcely any one is willing to come forward with a portion of the property he possesses to pay it.

Fortunately, this is not indispensable to the payment. Property sufficient to discharge the Debt, may be expressly produced, for this purpose, in a reasonable time; and the very process of making this property may become an incalculable benefit to all classes — both to those who are immediately engaged in its production, and to those who are not so immediately engaged.

The ability to provide this property lies in the possession of boundless resources in our colonial empire; which, however, require English capital and intelligence, aided by the power and resources of the Government, to develop them. For the production of any amount of material wealth, raw material, capital, labour, and protection, are all that are required. These are the only elements needed. We possess all of them — they need but to be brought together.

It will be hard if the united intelligence of statesmen, and of the country at large, cannot accomplish the practical solution of the problem.

Sundry inquiries will now arise in the minds of many persons, which it will be necessary to take some notice of, such as: —

'Can the country provide spare capital enough to 'pay off the debt in this way within sixty years?'

'Which are the portions of the colonial empire

'that are open to appropriation for such a pur-
'pose?'

Abundance of capital to carry out the plan.

It will, probably, be a sufficient answer to the first of these inquiries, to point out, that, in addition to all other modes of investing surplus annual capital, the amount *raised* for the construction of railways alone, in about fifteen or sixteen years, ending in 1852, amounted to £264,165,680, or something like £18,000,000 a year: the amount *authorised to be raised* was £356,610,456. Now the sum actually raised was double that required to carry out the plan proposed. Less than half that amount, in conjunction with other agencies, would suffice to redeem every particle of the Debt within the time named. There is no question, then, of the *pecuniary* ability of the country to carry the plan through, if it be practicable in other respects.

Suitable colonies for the plan.

With regard to the next inquiry, 'Which portions
'of the colonial empire are open to appropriation for
'the above purposes?' we answer: With the co-operation of the local legislatures, all our colonies; that is, those parts of them not already appropriated — Australia, New Zealand, Canada, New Brunswick, British North America generally, the Cape of Good Hope, Natal, and, lastly, but by no means least in importance, India. Without even consulting local legislatures at all, we have, in one portion of our dominions alone, now illegally claimed by the Hudson's Bay Company, sufficient territory to accom-

CHAP. III.

plish gradually all that has been suggested by the foregoing plan. This territory, which the Hudson's Bay Company now keep in a state of nature, to reap a profit from the skins and furs of wild animals, is about 500,000 square miles in extent, a great part of which is favourable for settlement and agriculture.

Hudson's Bay Company's territory.

The Saskatchewan River runs through the district, and is navigable for boats from its source in the Rocky Mountains, through a course of 1,400 miles, to its mouth, where it discharges itself into Lake Winnipeg. On the country between Lake Winnipeg and Lake Superior, Sir Alexander Mackenzie says: —

Sir Alexander Mackenzie.

'There is not, perhaps, a finer country in the 'world for the residence of man, than that which 'occupies the space between Red River and Lake 'Superior—fish, venison, fowl, and wild rice are in 'great plenty; the fruits are strawberries, plums, 'cherries, hazel-nuts, gooseberries, currants, raspber-'ries, pears.'

Mr. Montgomery Martin.

Mr. Montgomery Martin thus describes a portion of the country:—

'Near the portage La Loche, is a precipice up-'wards of one hundred feet above the plain, and 'commanding a most extensive, romantic, and, ac-'cording to Mackenzie, 'a ravishing prospect.' The 'eye looks down on the Swan ('Pelican, or clear 'water') meandering for thirty miles through a val-'ley about three miles in breadth, and confined by

'two lofty ridges of equal heights, displaying a most 'delightful intermixture of wood and lawn, which 'stretch out until the blue mist obscures the pro- 'spect. Some part of the inclining heights are 'covered with stately forests, relieved by promonto- 'ries of the finest verdure, where the elk and the 'buffalo enjoy a delicious pasturage. The Swan 'River runs eighty miles through such scenery, when 'it discharges itself into the Elk or Athabasca River, 'in latitude 56° 42′ north.'

Commissioner of Crown Lands.

The following extracts are taken from the Report of the Commissioners of Crown Lands of Canada, 1856, and refer especially to the Red River and the Saskatchewan country:—

Saskatchewan district.

'Including in this territory the valleys of the 'Beaver River, the Peace River, and the river Atha- 'basca, as having a common character with it, the 'whole presents an area of 500,000 superficial miles. 'Its extreme length from the Lake of the Woods 'westward to the Rocky Mountains is about 900 'miles, and its breadth from the northern boundary 'of the United States to the mouth of Peace River, 'about 700 miles. This territory, though forming 'but one-fifth part of that heretofore rendered avail- 'able for the purpose of hunting only, a little exceeds 'the empires of France and Austria added together. 'The isothermal position of the greater part of it 'resembles Poland.'

The Commissioner then states, that this area is

CHAP. III.

chiefly prairie land, presenting every facility for farming, without the labour of clearing away dense forests. Roads could easily be made. Near the base of the Rocky Mountains are immense coal-fields, which extend across the territory; and large rivers can float the coal in all directions. In the western portions, the winters are mild and short. The Red River, which falls into Lake Winnipeg, according to the best American authorities, is navigable, upwards, for steamboats of good size far into Minnesota.

The Commissioner then quotes from Sir George Alexander Mackenzie: — 'All this country, to the 'south branch of the Saskatchewan, abounds in 'beaver, moose-deer, fallow-deer, elks, bears, buf- 'faloes, etc. The soil is good; and whenever any 'attempts have been made to raise the esculent 'plants, it has been found productive.'

Sir John Richardson gives lat. 60° on the River of the Mountains, a tributary of the Mackenzie River, as the limit of economical wheat cultivation: 'Oats and barley,' he says, 'yield good crops; and 'the latter can be profitably cultivated five degrees 'further north.'

Sir John Franklin says:—

Sir John Franklin.

'The land is fertile, and produces with little 'trouble, ample returns of wheat, barley, oats and 'potatoes. The ground is prepared for the reception 'of these vegetables about the middle of April, and 'when Dr. Richardson visited this place on the 10th

'May, the blade of wheat looked strong and healthy. CHAP. III.
'Beyond the steep banks behind Carlton House,
'commences the vast plain whose boundaries are but
'imperfectly known; it extends along the south
'branch of the Saskatchewan, and towards the
'sources of the Missouri and Assineboine rivers,
'being scarcely interrupted through the whole of
'this great space by hills or even rising ground.
'This excellent pasturage furnishes food in abun-
'dance to a variety of grazing animals.'

Sir George Simpson gives the following description of the country between Lake Superior and Red River. Sir George Simpson.

'The river which empties Lac La Pluie into the
'Lake of the Woods, is, in more than one respect
'the finest stream on the whole route. From Fort
'Francis (on Lac La Pluie), downward, a stretch of
'nearly 100 miles, it is not interrupted by a single
'impediment, while yet the current is not strong
'enough materially to retard an ascending traveller.
'Nor are the banks less favourable to agriculture
'than the waters themselves to navigation, resem-
'bling, in some measure, those of the Thames near
'Richmond. From the very brink rises a gentle
'slope of green sward, crowned in many places with
'a plentiful growth of birch, poplar, beech, elm and
'oak. Is it too much for the eye of philanthropy to
'discern, through the vista of futurity, this noble
'stream, connecting as it does the fertile shores of

CHAP. III.

'two spacious lakes, with crowded steamboats on its 'bosom, and populous towns on its borders?'

It may be observed, that British territory runs from the Atlantic to the Pacific, from the river St. Lawrence to the Columbia; and here is land enough for a colossal empire, if we founded a colony on the shores of the Pacific.

The 49th parallel of latitude running straight across the continent, from the Lake of the Woods to Vancouver's Island, severs the British dominions in North America from those of the United States. All the country described may be deemed part of Canada.

Now, as a large part of our National Debt was incurred to obtain and foster these colonies, it appears only wise and just to make them pay back, in a way that will confer additional advantages on themselves, the outlay. So long as the land is unoccupied, it is valueless; and the Provincial Governments would readily accede to any scheme that would increase their populations. As we before remarked, the question is almost daily agitated in the Canadian papers. The plan we have suggested would meet their wishes.

America uses her lands to pay her debts.

We may say, further, that the plan of redeeming National Debts by the gradual use or sale of unappropriated land, has been tested by experience in the United States. At the Declaration of American Independence, the Union consisted of only thirteen States. One of the first acts of Congress was the

settlement of the western territory. In the grants originally made to the different colonies of the British Crown, no western boundary had been defined. The majority of the newly-created States insisted that their land stretched out to the Mississippi, and even to the Pacific Ocean. Virginia could plead the right of conquest over vast regions; Colonel Clarke, at the head of a small number of Virginians, having seized some English posts lying between the Ohio and Mississippi. During several years, no effectual arrangement could be concluded satisfactory to all the States. At length, in March 1780, the State of New York ceded its rights to the Federal Government. This act was followed up by an appeal from Congress to the patriotism of the other states, who were invited to imitate so noble an example, Congress pledging itself that whatever was surrendered should constitute a *national domain*, and be appropriated to the formation of new states, on the same bases as those already in existence. In 1784, Virginia, whose title to retain what it had conquered was indisputable, surrendered possession of its claims on terms which Congress accepted. In 1785, Massachusetts yielded its pretensions. In 1786, Connecticut did so likewise, reserving, however, a considerable tract of country now occupied by the State of Ohio, which, at a subsequent date, it sold to the Union. The two Carolinas next gave up their portions. Finally, in 1802, Georgia abandoned

The separate States cede their rights to the Federal Government.

CHAP. III.

its claims, on condition that the Federal Government would expel the Cherokee Indians from her soil, not by force of arms, but by diplomacy. This amicable negotiation succeeded. Thus a vast national domain was accumulated; Ohio, Indiana, Illinois, Michigan, and Wisconsin, being formed out of the north-western territory. This domain was enlarged in 1803, by the acquisition of Louisiana, purchased of France for 15,000,000 of dollars, and, in 1819, by the addition of the Floridas, purchased of Spain. The United States also bought from the Indians some sections of territory which they had retained within the States and the domain. At first, Congress sold these lands of the domain in very large parcels. In this manner, three great sales were effected, including 1,397,500 acres, and some smaller ones, amounting, in the aggregate, to 125,000 acres. This, of course, led to forestalling and speculation; and, on the 10th May, 1800, the system of land sales was adopted, which still exists with some modifications. We shall describe the principal features of this system.

Government Survey.

At the cost of the Federal Government a survey and plan of the domain was formed and boundaries were fixed. The most considerable division was called the township, which contained a square of six miles, its superficial area being 23,040 acres. The

Townships.

township was divided into thirty squares, measuring a mile on each side, each of 640 acres, and these,

again, into quarters or half quarters. The different sections are numbered, and are easily distinguishable on the plans, and on the ground. Most of the farms or holdings in the newer states, carved out of the north-west territory, are of the dimensions of quarters or half quarters. The lands are offered by auction to the highest bidder, the *minimum* from which the biddings start being one dollar and a quarter per acre. Every year some forty townships are thus dealt with in each land sale district. Some years since there were forty-two such districts. What is not disposed of by public auction (and it is always the greatest area) is sold in the land offices to any one willing to buy, the minimum price being there also fixed at one dollar and a quarter per acre. Land containing salt-pits or lead is not sold, but retained as the property of the Union. Up to the year 1820 these sales were effected on the credit system, which gave rise to a gambling spirit, from which many losses ensued. From that date cash payment has been enforced. In each township one section, that is, one square mile is reserved for the benefit of the primary schools of the district; moreover, on the produce of the sales, 5 per cent. is specially retained for local purposes, of which 3 per cent. is expended by Congress on the construction of roads, and the remaining 2 per cent. is paid over to the State in which the lands are situated, as a fund to promote education. Since the establishment of the national domain.

Sales by auction.

Sales at the land offices.

Construction of roads, etc.

CHAP. III.

enormous sums have been paid into the federal treasury, from the sales of land, by which the National Debt has been extinguished; for the trifle that remains is so insignificant that it may be liquidated, from balances in hand, at almost a moment's notice.

Debt paid off.

From 1791 to 1835, the United States paid off 415,968,503 dollars 90 cents, principal and interest, extinguishing the expense of two wars, and the purchase of two territories, Louisiana and Florida, sufficient to form two empires, without infringing the solemn obligations of government to its creditors in any respect. The whole sum was paid to the last cent.

We, surely, can do what America has done.

What the Americans have done, we surely can do, and, as we imagine, with even greater ease; for immense as is the extent of the United States territory, it will not bear the slightest comparison with that at the command of this country. We have the advantage, too, of possessions in all parts of the world, more easily accessible by sea carriage than the "far west" is to the American pioneer. We do not mean to say that the exact plan adopted by the United States government is to be followed by us. This is a question which cannot be determined by an individual, but must be left to the combined experience and resources at the command and service of the Government.

And, if such a plan as this, or one similar to it, could be carried into operation, what a mighty change

would at once be commenced with regard to the general financial condition of the country. Get such a plan into steady working operation, and no further anxious thought need be taken about the liquidation of the debt. Even a sinking fund would not absolutely be needed; and the surplus annually arising from the revenue might be devoted to the repeal of those taxes upon tea, sugar, malt, and other things which bear so heavily upon the great body of the working community, and trench so largely upon their comforts. This would, again, enlarge and extend trade; keep in constant play our present vast productive powers; probably develop new powers of production at present unthought of; and so enlarge the general stock of the kingdom as to afford to every industrious person an ample participation in all that is necessary for a comfortable subsistence, and an enjoyable life.

India a suitable field.

India is another fine field; where, but for the monopoly of the East India Company, a plan almost identical with the one in operation in the United States might be carried out, and the land actually sold gradually for the purpose of liquidating our incumbrances. Nor would this be the only benefit to be derived from so dealing with the land of India; for our manufacturers at Manchester and elsewhere might shortly be made independent of America for supplies of cotton, and a mortal blow be given to slaveholding. But the monopoly of the East India

Effect on Slavery.

CHAP. III.

Company interposes at present; and, while this monopoly lasts, it will, doubtless, form an insuperable obstacle to the carrying out of any such arrangement.

But there are plenty of openings in other quarters, for the trial of the plan we suggest, without India; and what though the subject be vast, and may require great knowledge and experience, both in the colonies and at home, to organise the necessary plans, and the best of administrative talent to carry them out, should this discourage us? Is not the end to be attained worthy of the most patient and persevering effort? What labour could compare, in beneficial result, to that of having successfully inaugurated a plan which should, at once, begin to relieve the country of its heavy burden of taxation and debt, and, in a comparatively short time, entirely free it from the latter? With freedom from debt and onerous taxation, how many other evils would disappear—not the least of which, financially speaking are, at present, vexatious revenue regulations on the one hand, and inquisitorial proceedings on the other. Here is a field of glory on which statesmen may obtain *lasting* renown, because they would impart and transmit such lasting benefit, that, by future generations, as well as the present, 'their memories 'would indeed be blessed.'

The end to be attained worthy of effort.

POSTSCRIPT.—About a week after the foregoing

Postscript with the President's message.

chapter was written, two circumstances occurred which bear expressly upon the subject of which it treats, and throw much light upon it. The first is the reception, in London, of the message of the President of the United States to the American parliament, which appeared in the London journals of yesterday (Dec. 22nd). In this message are to be found, the following paragraphs respecting the appropriation of the public lands, the method of which we have been describing. Some of the sentences, singularly enough, are almost verbally the same as we had previously written.

'Our system for the disposal of the public lands, 'originating with the fathers of the republic, has been 'improved as experience pointed the way, and gradu- 'ally adapted to the growth and settlement of our 'Western States and territories. It has worked well 'in practice. Already thirteen states and seven terri- 'tories have been carved out of those lands, and 'still, more than a thousand millions of acres remain 'unsold. What a boundless prospect this presents 'to our Country of future prosperity and power!

'We have heretofore disposed of 363,852,464 'acres of the public land.

'Whilst the public lands, as a source of revenue, 'are of great importance, their importance is far 'greater as furnishing homes for a hardy and inde- 'pendent race of honest and industrious men who 'desire to subdue and cultivate the soil. They ought

CHAP. III.

American President's message, 1857.

'to be administered mainly with a view of promoting 'this wise and benevolent policy. In appropriating 'them for any other purpose, we ought to use even 'greater economy than if they had been converted 'into money, and the proceeds were already in the 'public treasury. To squander away the richest and 'noblest inheritance which any people have ever 'enjoyed upon objects of doubtful constitutionality 'or expediency, would be to violate one of the most 'important trusts ever committed to any people. 'Whilst I do not deny to Congress the power, when 'acting *bonâ fide* as a proprietor, to give away portions of them for the purpose of increasing the 'value of the remainder, yet, considering the great 'temptation to abuse this power, we cannot be too 'cautious in its exercise.

'Actual settlers, under existing laws, are protected 'against other purchasers at the public sales, in their 'right of pre-emption, to the extent of a quarter 'section, or 160 acres of land. The remainder may 'then be disposed of at public, or entered at private 'sale, in unlimited quantities.

'Speculation has, of late years, prevailed to a 'great extent in the public lands. The consequence 'has been that large portions of them have become 'the property of individuals and companies, and 'thus the price is greatly enhanced to those who 'desire to purchase for actual settlement. In order 'to limit the area of speculation as much as possible,

American President's message.

'the extinction of the Indian title, and the extension 'of the public surveys, ought only to keep pace with 'the tide of emigration.

'If Congress should hereafter grant alternate sec- 'tions to states or companies, as they have done 'heretofore, I recommend that the intermediate sec- 'tions retained by the government, should be subject 'to pre-emption by actual settlers.

'It ought ever to be our cardinal policy to reserve 'the public lands as much as may be for actual settlers, 'and this at moderate prices. We shall thus not only 'best promote the prosperity of the new states and 'territories, and the power of the Union, but shall 'secure homes for our posterity for many genera- 'tions.'

Rumour respecting the East India Company.

The second circumstance to which we alluded, is, the very general rumour now prevailing, that the present ministry have come to the resolution of terminating the sway of the East India Company over the territories of Hindostan, and assuming the government themselves, which rumour seems to have arisen from what are generally considered semi-official announcements in those journals supposed to be connected with the government. If this intention be really entertained, and carried into effect, the monopoly of the East India Company will be broken up, and there will then appear to be no reason why this country cannot follow out almost exactly the plan adopted by the American authorities, in the actual sale of the

CHAP. III. lands for the redemption of the National Debt, if thought desirable to do so. We do not desire, however, to speak too confidently upon this point, as we may not rightly interpret the exact position in which the Government would be placed as regards the lands of India; but we have always understood that but a very small portion of the territory of India was held in fee simple by proprietors; but that it was almost entirely held by leases of about 30 years' term, from the Company. This information comes too late for us to make the necessary inquiries, and incorporate the result of them in this Essay, as the time has nearly arrived when it must be sent in. But we think it obvious, that the present mutiny and rebellion must give additional facilities to the Government for the prosecution of any plan of the kind that we have suggested, as a great number of persons must, from the treasonable participation in the rebellion, have set free the Government from all necessity of being over-scrupulous in the confiscation of their estates, although the leases may not have expired.

CHAPTER IV.

SUMMARY.

Conclusions arrived at.

IN order to concentrate into a smaller focus the results of our enquiry, so as to be able to discern them at a glance, we think that a summary of the principal points elicited by it, will not here be out of place.

We think it will be obvious from what has been advanced :—

1. That the general financial position of the country mainly depends upon the public Debt and its management; and that, apart from this Debt, the country could not be otherwise than in the most flourishing condition, financially considered.

2. That this Debt has been contracted in a most reckless manner, especially in the period between the latter end of the last century, and the year 1816. That, during this period, the country did not receive in real value, measuring the receipts in the paramount standard of all value, CORN, more than three-sevenths

CHAP. IV. Conclusions arrived at.

of the amount now pressing upon us, being in the proportion of 84,782,875 quarters of wheat borrowed, to 198,004,308 quarters now obligatory on us to pay, either in dividends or in principal.

3. That the National Debt, though it did not originate, yet fostered and strengthened, the system of indirect taxation, and led to its permanent establishment; so that, at least, two-thirds of the annual revenue of the State are now derived from it.

4. That a system of indirect taxation naturally raises the prices of the commodities so taxed; and that, upon the adoption of such a system of taxation, the monetary system ought to have been so expanded, or made of such a nature, as would enable it to express the higher prices thus rendered necessary.

5. That instead of this result having been permitted to follow the creation of the National Debt, and the adoption of the indirect mode of taxation, a precisely opposite result was produced, the system of money having been made more rigid and stringent than theretofore.

6. That these two contrary modes of action have produced an antagonism between our systems of Taxation and Currency, which, we believe, is at the bottom of all the commercial panics and convulsions we periodically witness.

7. That the Sinking Fund, as at first established, did nothing towards the redemption of the Debt;

Conclusions arrived at.

inasmuch as it only redeemed Debt, by causing the creation of a larger amount of Debt than it paid off. That no Sinking Fund is sound unless it be derived from a surplus of ordinary revenue over ordinary expenditure; and also that the stock redeemed by it be immediately cancelled, and not allowed to remain in the hands of the Commissioners.

8. That notwithstanding all the mistakes we have made, and the recklessness of which we have been guilty, the country is now in a better condition to deal with the Debt than it ever was.

9. That we have resources enough at home, if we were to allow them sufficiently to develop themselves, greatly to reduce the National Debt; but that this must be accompanied with such a sacrifice upon the part of the present generation, as would be both unjust and unlikely to meet with general acceptance and support.

10. That our resources in our colonial empire are amply sufficient to provide for all our liabilities, with advantage to all classes of society and their posterity, and to the injury of none; and that the present is a singularly favourable time for the inauguration of any plan similar to the one proposed.

11. That this need not absolutely supersede other modes of redeeming the debt; as we may still employ a Sinking Fund for that purpose, or call for

CHAP. V

Conclusions arrived at.

periodical contributions from realized property, if it be thought expedient so to do.

Having given this short summary of the principal points elicited by our inquiry, we shall finish all that we can now possibly attempt, by a few general remarks upon the whole subject.

CHAPTER V.

CONCLUDING REMARKS.

Our present state a hopeful one.

IN offering a few concluding remarks upon the subject of this Essay, namely, the general financial condition of this Kingdom at the present time, we would say, that, looking at it, even without reference to any particular plan for the reduction of the National Debt, we conceive it to be a very hopeful and cheering one, and that it might be much more so were it not for our own wrong-headedness. Our Debt, though stationary in amount, or nearly so, is becoming, relatively, less and less every year, from the natural increase of the population, and from the still greater increase of all the commodities which form the wealth of nations. The power of augmenting this wealth is increasing, also, year after year, in a greater and still greater ratio. In addition to these general circumstances of encouragement, there are others of a particular nature, which will operate favourably. In three years' time, the long annuities will expire; and as these amount to about £1,290,000 per annum, considerable relief will be afforded by

Expiration of long annuities.

CHAP. V.

Cessation of 'Dead Weight annuity.'

their cessation. In little more than nine years, the annuity called the 'Dead Weight' will terminate, which will be another relief to the extent of £585,740 per annum; so that, in the natural order of things, there will shortly be a diminution of our annual burdens to the extent of nearly £2,000,000.

Unsatisfactory state of our money system.

The only unsatisfactory thing that we discern is our system of money. Everything but this has a light and cheerful aspect; but this seems to be enveloped in a cloud of obscurity and gloom, which nine-tenths of our senators appear afraid of attempting to penetrate. Yet it would appear clear, that if we have the means of abundantly producing all those commodities which form the fund for the comfortable subsistence of the people, and the power also of almost increasing those means indefinitely, there ought not to be an insuperable difficulty in devising an instrument for the mere exchange and distribution of these commodities. Did any deficiency exist in the power of producing them, it is evident that the people could not be supplied with them, and want and distress would inevitably be the result; but no notion of this kind can be entertained by any person who pays the slightest attention to the subject. What commodity are we deficient in the supply of? What cannot be produced in far greater quantities than at present, if need be? With regard to manufactures, our powers of production are almost illimitable; and with regard even to corn, the only necessary commo-

dity of which there could be the slightest doubt as to our capability of materially increasing the quantity, there will be found, upon enquiry, sufficient reason for believing that much more may be produced than can be consumed by our present population. Our country possesses a fertile soil, a climate favourable to health and individual exertion—mineral wealth in a far greater degree than most nations—an advantageous insular situation—freedom from those terrible convulsions of nature which agitate or destroy many countries—and, lastly, a race of inhabitants eminent for their indefatigable industry. We are warranted, therefore, in concluding, that if England, possessing, as she does, these elements of prosperity, and naturally capable as she is of furnishing to her inhabitants every comfort, either by her own productions or by the exchange of those productions for others, if this favoured country be plunged into seasons of depression and distress, it cannot arise from *natural* but from *artificial* causes; and among these, we do not see one adequate to produce such tremendous results, but that which pervades all commerce and forms its life-blood, MONEY. This consideration is very consolatory, because that which is caused artificially and by human mismanagement may also be rectified by human agency and exertion. Did our distresses arise from natural causes, such as a bad and intractable soil—an unfavourable climate—a natural poverty or incapability of producing

Any distress we at times experience must arise from artificial causes.

CHAP. V.

wealth—or, incidentally, from earthquakes, volcanoes, or other convulsions—we could apply no possible remedy. But seeing they must arise from some misapplication or want of application of the good things which we are constantly producing, and with which, by the bounty of Providence, we are surrounded on all hands—from some mismanagement of our naturally favourable circumstances—we feel encouraged in endeavouring to find out where and in what our error lies, seeing that its rectification is within the limits of our own power.

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